2015

ANNUAL REPORT

BUILDING SUSTAINABLE VALUE

Caisse de dépôt et placement
du Québec

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50 YEARS MARKED BY AMBITION

Since 1965, la Caisse has been growing its clients' assets and contributing to Québec's collective prosperity. It has also worked closely with businesses, many of which now stand as leaders, both here in Québec and globally.

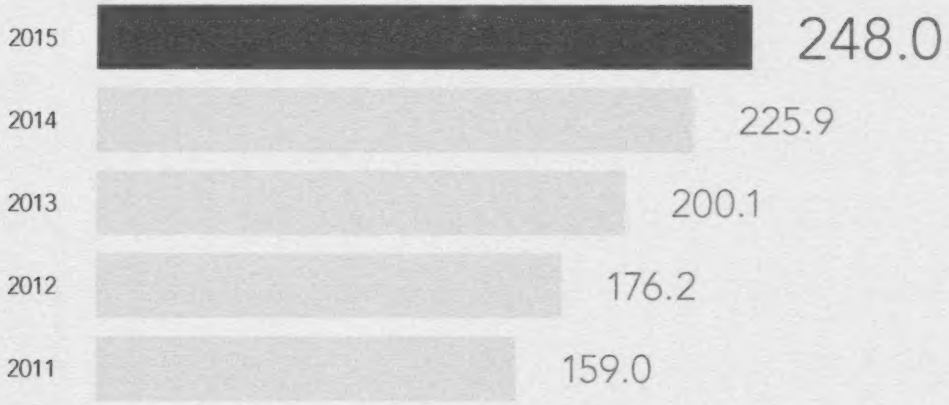
Born of an ambitious vision, la Caisse has been built by determined, committed people. Over the past half century, this institution has become a world-class investor. And its achievements to date are a clear indication of what it can accomplish over the next 50 years.

2015 highlights

NET ASSETS AS AT DECEMBER 31, 2015

$248.0 B

CAISSE NET ASSETS FROM 2011 TO 2015
(in billions of dollars)



10.9%

FOUR-YEAR
ANNUALIZED RETURN

$81.6 B

NET INVESTMENT
RESULTS OVER
4 YEARS

9.1%

2015 RETURN

$20.1 B

NET INVESTMENT
RESULTS
IN 2015

AAA

HIGHEST CREDIT RATINGS REAFFIRMED

DBRS, Standard & Poor's and Moody's have reaffirmed the credit ratings of la Caisse and CDP Financial with a stable outlook.

Global footprint

WE INVEST IN THE REAL ECONOMY by focusing on tangible assets and by developing partnerships with world-class institutions

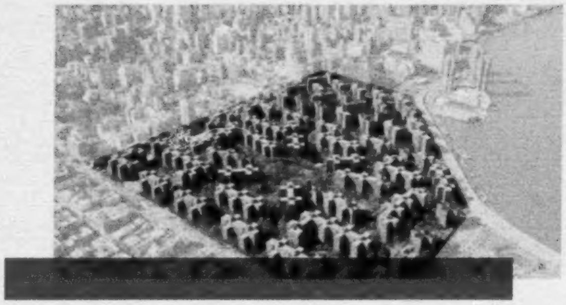
$149 B

CAISSE EXPOSURE TO GLOBAL MARKETS, UP $76 BILLION SINCE THE END OF 2011

TRANSGRID

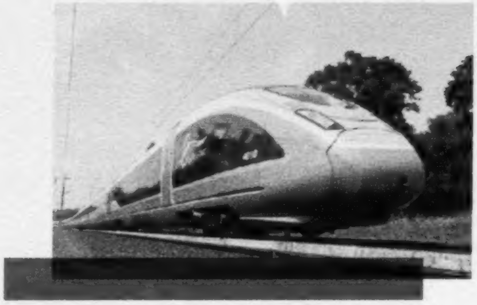
Participation in the consortium that acquired the lease of Australia's largest electricity transmission network. Caisse investment: AUD 1.2 billion

A FEW OF OUR 2015 ACHIEVEMENTS



STUYVESANT TOWN / PETER COOPER VILLAGE

Acquisition, with Blackstone, of a 56-building residential complex in Manhattan.



EUROSTAR

Acquisition of 40% of this high-speed train service, in partnership with Hermes Infrastructure.

INFRASTRUCTURE PROJECTS IN MEXICO

Creation of a co-investment platform with a consortium of Mexican institutional investors. Objective: invest $2.8 billion in a wide range of infrastructure projects within the next five years.

SPIE

Further investment of EUR 100 million in this European engineering leader.

CHONGBANG

Joint investment with APG to acquire an interest in this major developer, owner and operator of real estate projects in Shanghai.

Rooted in Québec

WE PLAY AN IMPACTFUL ROLE that goes far beyond investments

GROWTH

We work with small, medium-sized and large companies on their growth and expansion projects in Québec and globally.

INNOVATION

We play an active role alongside Québec companies in their new product and process development, modernization projects, R&D investments, and digital strategy initiatives.

PROJECTS WITH IMPACT

We undertake major real estate and infrastructure projects that benefit our clients and the Québec economy.

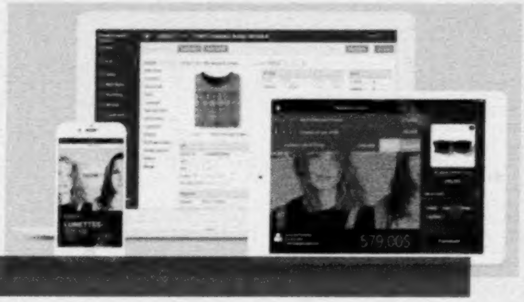
ENTREPRENEURIAL INITIATIVES

We aim to stimulate entrepreneurship and foster the emergence of future generations of businesses that will further drive the economy.

CDPQ INFRA

Creation of a new operational subsidiary to plan, develop and operate infrastructure projects in Québec and globally.

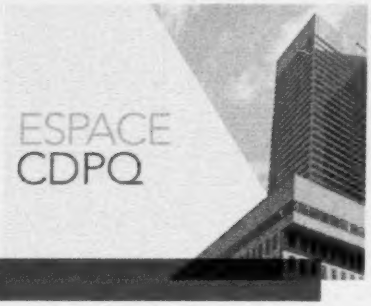
A FEW OF OUR 2015 ACHIEVEMENTS



[redacted]

LIGHTSPEED

An $80-million partnership investment in this cloud point-of-sale platform for retailers and restaurants.



[redacted]

ESPACE CDPQ

Creation of an entrepreneurial ecosystem dedicated to strengthening Québec businesses at all stages of their development. Located at Place Ville Marie, Espace CDPQ facilitates collaboration with organizations from across Québec and represents a permanent way to mark the 50th anniversary of la Caisse.

FAIRMONT THE QUEEN ELIZABETH

Announcement of a major renovation project for the transformation of the prestigious downtown Montréal hotel Fairmont The Queen Elizabeth, an investment of $140 million.

XPNDCAPITAL

XPNDCROISSANCE

Commitment of $15 million in this investment fund dedicated to Québec companies specialized in sustainable transportation, technology, media and entertainment.

LOGISTEC

Investment of $69 million to further the growth of this company specializing in maritime and environmental services.

Behind our clients are Quebecers

WE SEIZE THE BEST INVESTMENT OPPORTUNITIES
to grow our clients' capital

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DEPOSITORS ENTRUST THEIR FUNDS TO LA CAISSE

FOR THE EIGHT MAIN FUNDS, WE GENERATED RETURNS RANGING FROM

9.3% to 12.2%

OVER 4 YEARS

IN 2015, THESE RETURNS RANGED FROM 8.1% TO 10.5%

For the complete list of la Caisse's depositors, see page 26.

SOME

2 million

QUEBECERS
RECEIVE PENSION
OR INSURANCE BENEFITS
FROM OUR DEPOSITORS

THE EIGHT MAIN CLIENTS OF LA CAISSE REPRESENT 97.2% OF NET ASSETS

RREGOP

GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

Retraite Québec

FORMERLY RÉGIE DES RENTES DU QUÉBEC

CNESST

COMMISSION DES NORMES, DE L'ÉQUITÉ, DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL (FORMERLY CSST)

RRPE

PENSION PLAN OF MANAGEMENT PERSONNEL

RPSF

RETIREMENT PLANS SINKING FUND

COMMISSION DE LA CONSTRUCTION DU QUÉBEC

SUPPLEMENTAL PENSION PLAN FOR EMPLOYEES OF THE QUÉBEC CONSTRUCTION INDUSTRY

Société de l'assurance automobile Québec

SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

GENERATIONS FUND

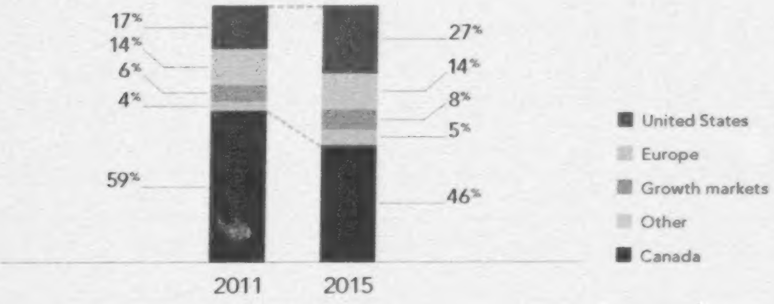
Results by asset class

WE FOCUS ON QUALITY ASSETS
in all categories

RESULTS BY ASSET CLASS
Four-year and one-year returns

EQUITY	FIXED INCOME	INFLATION-SENSITIVE INVESTMENTS
14.9% FOUR-YEAR RETURN	4.0% FOUR-YEAR RETURN	11.3% FOUR-YEAR RETURN
11.0% 2015 RETURN	3.9% 2015 RETURN	10.6% 2015 RETURN

GEOGRAPHIC EXPOSURE OF THE OVERALL PORTFOLIO
As at December 31, 2015



EQUITY

FIXED INCOME

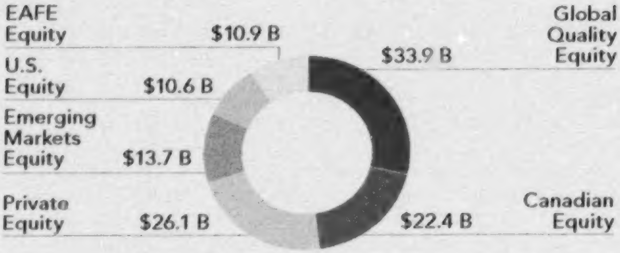
INFLATION-SENSITIVE INVESTMENTS

$117.6 B

NET ASSETS

EQUITY – NET ASSETS BY PORTFOLIO

As at December 31, 2015

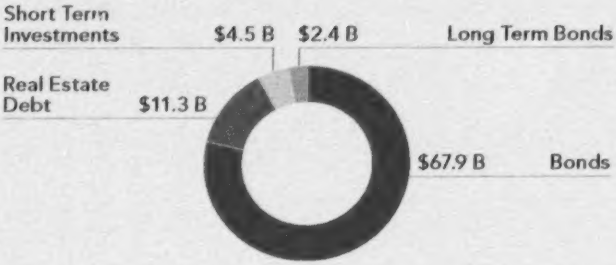


$86.1 B

NET ASSETS

FIXED INCOME – NET ASSETS BY PORTFOLIO

As at December 31, 2015

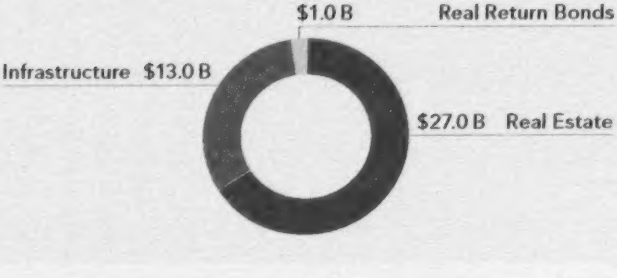


$41.0 B

NET ASSETS

INFLATION-SENSITIVE INVESTMENTS NET ASSETS BY PORTFOLIO

As at December 31, 2015



Our 2015 achievements

For the 2016-2019 period, la Caisse has set eight priorities. The 2015 achievements reflect these priorities.

BENCHMARK-AGNOSTIC MANAGEMENT

Making long-term investments based on strong convictions and in-depth analysis

2015 ACHIEVEMENTS

- An increase from 52% to 66% in net assets under benchmark-agnostic management, by adopting this management approach for the Canadian equity portfolio
- Major work undertaken, which culminated, in early 2016, in the public equity portfolios being grouped together in a single specialized portfolio for more transversal and agile management
- Transaction volume (acquisitions and sales) of $33.3 billion in less liquid assets (real estate, infrastructure and private equity), bringing the weight of these portfolios to 27% of total net assets

NEW SOURCES OF RETURNS

Diversifying the types of investments we make while remaining focused on quality assets

2015 ACHIEVEMENTS

- Solid returns on the Global Quality Equity portfolio, created in 2013, which once again outperformed its target despite turbulent market conditions
- Diversification of sources of returns in each of the asset classes, notably in growth markets and through the use of new segments in the bond market
- Strengthened collaboration with portfolio companies in order to maximize our impact on their development and expansion

GLOBAL FOOTPRINT

Investing in the best long-term opportunities

2015 ACHIEVEMENTS

- Increased exposure to global markets in all asset classes, rising from 47% in 2014 to 54% by the end of 2015
- With major investments in New York, Chicago, Los Angeles, Boston, Denver and Seattle, Ivanhoé Cambridge became one of the leading foreign investors in the office sector in the United States and the seventh largest property owner in Manhattan
- Development of new partnerships in growth markets, in Mexico and Asia

COLLABORATION WITH DEPOSITORS

Continuing to improve our services

2015 ACHIEVEMENTS

- Stronger advisory services, notably through the development of analytical tools that are more responsive to the financial commitments of the depositors' plans
- Ongoing work to further develop our portfolio offering
- Revision of certain investment policies following changes to the portfolio offering

IMPACT IN QUÉBEC

Maximizing our real impact on the economy and businesses

2015 ACHIEVEMENTS

- Investments made in high-performing Québec companies such as D-BOX and WSP Global to further their growth outside Québec
- Business connections between portfolio companies and Caisse subsidiaries and partners to promote their expansion in Québec and internationally
- Creation of Espace CDPQ, which aims to stimulate the emergence of a new generation of Québec businesses that can compete in world markets

AGILE AND HIGH-PERFORMING ORGANIZATION

Developing our talent and building an international organization

2015 ACHIEVEMENTS

- Recruitment of new talent to complement our existing expertise, notably in private equity and infrastructure
- Ongoing training of employees to further their skills and strengthen their leadership capabilities
- Opening of subsidiaries in Sydney and Mexico City as part of the globalization of la Caisse

WORLD-CLASS PARTNER

Strengthening and strategically developing our business partnerships

2015 ACHIEVEMENTS

- Development of new partnerships, notably in growth markets
- Launch of an innovative co-investment platform for infrastructure projects in Mexico with a consortium of Mexican institutional investors, including the country's three largest pension funds

INNOVATION

Institutionalizing innovation in everything we do

2015 ACHIEVEMENTS

- Development of a new business model to carry out infrastructure projects via CDPQ Infra, a new subsidiary
- Investments in innovative companies such as Palantir, Lightspeed and XPNDCROISSANCE, a development capital fund for Québec companies specialized in sustainable transportation, technology, media and entertainment

MESSAGES FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Message from the Chairman of the Board

The Board of Directors is pleased with the solid results achieved once again in 2015, despite difficult economic conditions. These results did not come about by chance. Over the years, la Caisse has made sound strategic decisions in addition to considerably strengthening its execution.

La Caisse's fundamental choice to adopt a benchmark-agnostic investment approach to focus on intrinsic value and the real economy was the right decision for its public equity investments.

Financial markets have become extremely volatile. Each new piece of economic data and the slightest noise from the central banks trigger major value fluctuations, not to mention speculative movements.

Notwithstanding this reality, there are solid businesses that perform well year after year and invest for the long term and not simply for the upcoming quarter's results.

There is also value to be found in the real estate sector, when the right markets and highest-quality assets are selected.

The same can be said of the challenging infrastructure sector when we work with the right partners, look for the best opportunities and take an innovative approach.

In fact, finding the right partners for long-term investments has contributed to the success of the Private Equity, Real Estate and Infrastructure teams.

This search for the best partners is also one of the reasons why la Caisse has established a presence in growth markets, which of course carry risk but also offer a more attractive return outlook than advanced economies.

Extensive work has also gone into generating further returns while minimizing risk in the important Fixed Income portfolio, which has been weighed down by low rates prevailing since the 2008 financial crisis.

I would also like to acknowledge the vitality of the private equity team in Québec, which plays an active role in helping companies expand globally and invests at an early stage in tomorrow's champions.

La Caisse continues to enhance its ability to execute and its teams are highly motivated. This is obvious at every meeting of the Board and of its committees, notably in the quality and relevance of the analyses and proposals presented.

I would like to highlight the exemplary work of the committee chairs, who once again this year performed the difficult task of thoroughly analyzing large and complex files with committee members in order to make appropriate recommendations to the Board of Directors.

As it does every year, the Board followed the achievements of the different Caisse groups and approved all major investments. It also devoted much time to examining the orientations for 2016 and the coming years.

Finally, on behalf of the Board of Directors, I wish to emphasize our appreciation to Michael Sabia once again. His energy and exceptional leadership continue to drive the entire organization forward.

I therefore thank Michael, the leaders, and all of the teams at la Caisse, who go above and beyond every day to serve our depositors and the Québec economy.

ROBERT TESSIER
Chairman of the Board

Message from the President and Chief Executive Officer

The year 2015 was marked by turbulence, anemic economic growth in advanced countries and an overall slowdown in growth markets. Oil prices collapsed. Currencies moved in a disorderly way.

Canada also had its share of economic turmoil, experiencing a significant slowdown due in large part to the drop in oil prices. Over the course of one year, the Canadian dollar lost 16% of its value against the U.S. dollar, and the Toronto stock exchange fell by more than 8.3%.

2015 RESULTS

These 12 months tested the strategy implemented by la Caisse since 2009.

Our overall portfolio, designed for resilience, generated a solid performance across all asset classes, posting a 9.1% overall return for 2015 and, more importantly, a 10.9% average annual return over the last four years.

These results validate our strategy. We outpaced our benchmark by 2.4 percentage points, equivalent to $5.4 billion in value-added. This level of performance has been seen only twice in 20 years.

In Québec, our actions took multiple forms: from investing in Quebec businesses to our initiatives to support entrepreneurship. Since 2009, we have invested more than $16 billion in Québec, including $2.2 billion in 2015.

Beyond these figures, our primary goal is to make a difference by investing in businesses to encourage them to innovate and to establish themselves internationally. We carefully study sectors with high growth potential, such as digital technology, and we work with companies seeking to modernize their operations, increase productivity and expand their presence in global markets.

TURBULENCE AND ANEMIC GROWTH

These are solid results. But we must not lose sight of the challenges ahead of us. Volatility persists. Interest rates are hovering close to zero. This is uncharted territory.

More than ever, we must separate the fundamental economic signal from all the market noise – the short-term spikes, the fads. This signal is clear: we suffer from chronically low growth.

The OECD predicts the global economy will expand by 3% in 2016, while Canada will grow 1.5% at best. Real economic growth is essentially in neutral. That is the fundamental issue we should be focusing on.

And you can't expect monetary policy to deliver a miracle this time around. The accommodative measures that have been used repeatedly are now very much subject to the law of diminishing returns.

These are unprecedented times. We need to think differently. Generating growth is going to require fresh ideas and renewed commitment.

Governments have a role to play in renewing confidence and private investments. This means putting growth at the centre of their priorities to stimulate domestic demand and boost the productivity of their economies.

In Europe and in most emerging markets, this means structural reforms to make labour, financial and product markets all work better. In North America, it means focusing on post-secondary education, entrepreneurship, innovation and infrastructure – the things that build productivity and strengthen a nation's ability to supply global goods and services.

OUR STRATEGY: QUALITY ASSETS ROOTED IN THE REAL ECONOMY

In a context of weak growth, volatility and unprecedented monetary policies, institutional investors are finding that the traditional engines of investment are no longer delivering as they once did. Over the past five years, annual returns from world stocks averaged 10%. Over the next five years, returns are expected to average just 5% or 6%. The same is true for fixed income, with the past returns of around 5% likely to decline to 1% or 2%.

The time has therefore come to find new investment strategies capable of producing the returns that our clients need. We will do this by applying our business-owner mindset, by increasing our investments in real assets and by seizing the best opportunities in the most promising growth markets.

CDPQ Infra, our new business model for infrastructure projects, is a good example. It is well aligned with our focus on the real economy, which is at the core of our strategy.

Given the turbulent world environment, we will continue to select assets prudently and with rigour. We will draw on our expertise to improve the operational performance of the companies we invest in and to create value. We will also look at different and innovative ways to structure transactions as we did in Bombardier Transportation to help ensure that our depositors' capital is protected and that we build in incentives to improve operational performance and therefore, create value.

The volatility of 2015 will continue in the coming period. The resilience of our portfolio will be put to the test once more. In the face of this turbulence, we will need to work even harder than before, with considerable discipline and sound business judgement. That said, I am confident that with the skills and dedication of our people, we will make the right investment decisions for Quebecers.

MICHAEL SABIA
President and Chief Executive Officer

OUR CLIENTS, THE DEPOSITORS

Our Clients, the Depositors

The annual strategic planning exercise carried out in 2015 provided an opportunity for la Caisse to look back on the investment strategies and portfolios offered to depositors in a context of modest global growth and high market volatility. While staying focused on the same strategic orientations of recent years, la Caisse established a series of measures to help it achieve the returns its depositors need over the long term, while respecting their risk tolerance.

PRODUCTIVE COLLABORATION

La Caisse's depositors are central to its actions, and it offers them market expertise and insight to help them in their investment decisions. Its business model is founded on collaboration, listening, transparency and the clear sharing of roles and responsibilities. In 2015, la Caisse's teams and its depositors held regular discussions, notably on the efforts taken by la Caisse to enhance its portfolio offering.

CHANGES IN THE PORTFOLIO OFFERING

During the year, la Caisse made improvements to its portfolio offering to ensure it was continuing to meet the long-term needs of its clients. It conducts this exercise periodically to gauge the underlying trends that characterize its investment environment. In 2015, these trends included:

- weak growth in developed countries;
- an overall slowdown in growth markets;
- ongoing intense competition in several investment sectors, particularly for less-liquid assets (real estate, infrastructure and private equity);
- generally lower expectations of long-term returns, particularly from fixed-income securities.

The main changes made to the portfolio offering in 2015 were as follows:

Equity

La Caisse continued its shift toward a benchmark-agnostic philosophy, which emphasizes the creation of long-term value. This approach aims to build portfolios based on strong convictions rather than on the composition of benchmark indexes. The changes made this year were:

- Canadian Equity: this portfolio has been fully based on benchmark-agnostic management since January 1, 2015.
- Emerging Markets Equity: benchmark-agnostic management is now applied to close to one-third of this portfolio.

In 2015, la Caisse also undertook to group all of its public equity investment activities into a single specialized portfolio. In effect since January 1, 2016, this new approach facilitates more transversal and agile management.

Fixed Income

In order to continue offering its clients an attractive risk-return profile, la Caisse chose to focus more on its two strategies associated with its Bond portfolio:

- allocate more capital among the sectors, for example by reducing exposure to interest rates and increasing exposure to government or corporate credit;
- promote a benchmark-agnostic approach in each sector, for example by increasing the portfolio's weighting of securities issued by foreign companies or government securities of growth markets.

Inflation-sensitive Investments

La Caisse further strengthened the investment strategy governing its infrastructure portfolio, an asset class that has become increasingly popular among institutional investors due to its more stable and predictable long-term returns. Notably, la Caisse:

- continued its ongoing selective investment activities in the United States, Australia and growth markets;
- introduced CDPQ Infra, an innovative business model designed to generate increased value through the implementation and operation of infrastructure projects.

Investment policies

To better reflect its strategic orientations and ensure optimal management of its investment activities and risks, particularly to further integrate its benchmark-agnostic approach, la Caisse revised the investment policies of some of its portfolios.

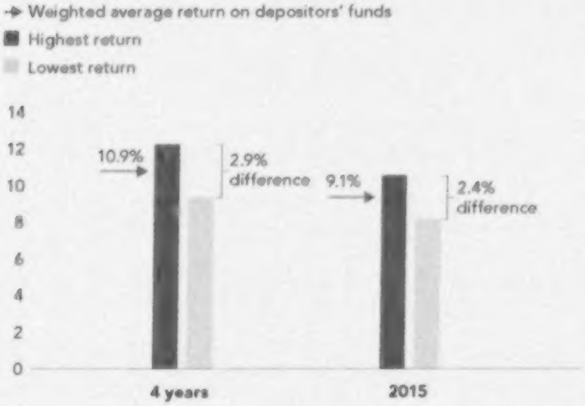
DEPOSITORS' INDIVIDUAL RETURNS

The decisions made with respect to the allocation of assets among the three major asset classes in the overall portfolio – Fixed Income, Inflation-Sensitive Investments and Equity – have a significant bearing on the returns for each depositor. These decisions are made based most notably on depositors' target returns, risk tolerance and investment horizon. Over four years, the annualized returns of the eight main depositors' funds ranged from 9.3% to 12.2%.

For 2015, depositors' returns varied between 8.1% and 10.5%.

FIGURE 1

DIFFERENCES IN RETURNS ON THE EIGHT MAIN DEPOSITORS' FUNDS



Our Clients, the Depositors

CUSTOMIZED ADVISORY SERVICES

La Caisse provides advisory services to its depositors to guide them in their investment decisions. These services include:

- financial market and economic outlook analyses;
- risk and return forecasts for the main asset classes and specialized portfolios offered;
- simulated allocation of depositors' assets in various specialized portfolios in order to determine the optimal composition of their benchmark portfolios, based on their needs and risk tolerance.

In recent years, la Caisse has improved the advisory services it offers by enhancing its ability to analyze its clients' long-term financial commitments. In 2015, several projects to analyze assets and liabilities were carried out in collaboration with certain depositors. These analyses ascertain the relevance of existing and proposed asset allocations in terms of potential impacts on the level of capitalization and the contributions required over the long term for the plan in question.

PORTFOLIOS OFFERED TO DEPOSITORS

La Caisse enables its depositors to allocate their funds to specialized portfolios that hold securities from the same asset class (see Table 2). Most of these portfolios are managed actively, and each one is managed according to a set of rules set out in an investment policy that specifies:

- the management approach applied;
- the investment universe and benchmark index;
- the target returns;
- the risk oversight.

In addition to its specialized portfolios, la Caisse offers customized overlay operations to enable each depositor to tailor its exposure to foreign currencies and interest rates.

TABLE 2

SPECIALIZED PORTFOLIO OFFERING

(as at December 31, 2015)

	ACTIVELY MANAGED	INDEXED	OBJECTIVES
FIXED INCOME	Bonds Real Estate Debt	Short Term Investments Long Term Bonds	Reduce the portfolio's overall risk level Match depositors' assets and liabilities
INFLATION-SENSITIVE INVESTMENTS	Real Estate Infrastructure	Real Return Bonds	Have exposure to markets for which investment income is indexed to inflation Partially hedge the inflation risk associated with the liabilities of several depositors
EQUITY	Global Quality Equity Canadian Equity Emerging Markets Equity Private Equity	U.S. Equity EAFE Equity	Increase depositors' long-term target returns
OTHER INVESTMENTS	Active Overlay Strategies Asset Allocation		Achieve diversification and complementarity of la Caisse's overall portfolio

THE EIGHT MAIN DEPOSITORS' FUNDS

REPRESENTING 97.2% OF NET ASSETS as at December 31, 2015

1 GOVERNMENT AND PUBLIC EMPLOYEES RETIREMENT PLAN

$59.9 B

NET ASSETS

> 543,000 contributors

> 233,000 retirees and 16,000 surviving spouses and orphans

> $4.7 billion in retirement benefits paid annually

2 RETIREMENT PLANS SINKING FUND

$59.3 B

NET ASSETS

> Fund used by the Government of Québec to capitalize the employer's portion of retirement benefits of employees in the public and parapublic sectors

3 RETRAITE QUÉBEC[1]

$57.1 B

NET ASSETS

> 4 million contributors

> 1.9 million beneficiaries

> $12 billion in benefits paid annually

4 SUPPLEMENTAL PENSION PLAN FOR EMPLOYEES OF THE QUÉBEC CONSTRUCTION INDUSTRY

$19.5 B

NET ASSETS

> 163,000 contributors

> 87,000 retirees or surviving spouses

> $730 million in benefits paid annually

5 COMMISSION DES NORMES, DE L'ÉQUITÉ, DE LA SANTÉ ET DE LA SÉCURITÉ DU TRAVAIL[2]

$14.7 B

NET ASSETS

> 226,000 contributing employers

> 3.8 million workers covered

> $1.9 billion in benefits paid annually

6 SOCIÉTÉ DE L'ASSURANCE AUTOMOBILE DU QUÉBEC

$10.9 B

NET ASSETS

> 5.2 million driver's licence holders

> 6.2 million registered vehicles

> $1 billion paid in compensation annually

7 PENSION PLAN OF MANAGEMENT PERSONNEL

$10.4 B

NET ASSETS

> 29,000 contributors

> 27,000 retirees and 2,200 surviving spouses and orphans

> $1.2 billion in benefits paid annually

8 GENERATIONS FUND

$9.0 B

NET ASSETS

> Fund used to repay Québec's debt

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[1] Formerly the Régie des rentes du Québec.

[2] Formerly the Commission de la santé et de la sécurité du travail.

TABLE 3

LA CAISSE'S 34 DEPOSITORS – Comparison of net assets as at December 31, 2014, and as at December 31, 2015

(fair value as at December 31 – in millions of dollars)

		Depositors' net assets			
	First	2015		2014	
	deposit	$	%	$	%
PENSION PLANS					
Régie des rentes du Québec[1]	1966	**57,077**	**23.0**	51,865	22.8
Supplemental Pension Plan for Employees of the Québec Construction Industry	1970	**19,467**	**7.9**	18,000	8.0
Government and Public Employees Retirement Plan	1973	**59,878**	**24.2**	55,744	24.8
Pension Plan of Management Personnel	1973	**10,427**	**4.2**	9,567	4.2
Individual Plans	1977	**241**	**0.1**	227	0.1
Pension Plan of Elected Municipal Officers	1989	**229**	**0.1**	216	0.1
Retirement Plan for the Mayors and Councillors of Municipalities[2]	2015	**2**	**–**	–	–
Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence	1990	**500**	**0.2**	451	0.2
Ministère des Finances, Government of Québec[3]					
Retirement Plans Sinking Fund	1994	**59,307**	**23.9**	53,433	23.8
Superannuation Plan for the Members of the Sûreté du Québec – employers' fund	2009	**578**	**0.3**	376	0.2
Régime de retraite de l'Université du Québec	2004	**381**	**0.2**	318	0.2
Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec	2005	**272**	**0.1**	203	0.1
Régime de retraite pour certains employés de la Commission scolaire de la Capitale	2006	**35**	**–**	36	–
Pension Plan of the Non-Teaching Staff of the Commission des écoles catholiques de Montréal	2007	**208**	**0.1**	216	0.1
Superannuation Plan for the Members of the Sûreté du Québec – participants' fund	2007	**345**	**0.1**	290	0.1
Régime de retraite des employés de la Ville de Laval	2007	**286**	**0.1**	159	0.1
Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges	2010	**82**	**–**	78	–
Fonds commun de placement des régimes de retraite de l'Université Laval	2012	**205**	**0.1**	135	0.1
Fiducie globale Ville de Magog	2012	**59**	**–**	54	–
Régime de retraite des employées et employés de la Ville de Sherbrooke	2012	**35**	**–**	33	–
Régime de retraite des agents de la paix en services correctionnels	2013	**456**	**0.2**	303	0.2
Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke	2013	**70**	**–**	65	–
Régime de retraite de la Corporation de l'École Polytechnique	2014	**37**	**–**	12	–
Régimes de retraite de la Ville de Terrebonne[2]	2015	**50**	**–**	–	–
INSURANCE PLANS					
Régie des marchés agricoles et alimentaires du Québec	1967	**10**	**–**	9	–
La Financière agricole du Québec	1968	**586**	**0.3**	373	0.2
Autorité des marchés financiers	1969	**748**	**0.3**	675	0.3
Commission de la santé et de la sécurité du travail[4]	1973	**14,688**	**5.9**	13,697	6.1
Société de l'assurance automobile du Québec	1978	**10,944**	**4.4**	9,987	4.3
Fédération des producteurs de bovins du Québec	1989	**6**	**–**	5	–
Survivor's Pension Plan	1997	**425**	**0.2**	411	0.2
Conseil de gestion de l'assurance parentale	2005	**1**	**–**	1	–
OTHER DEPOSITORS					
Office de la protection du consommateur	1992	**129**	**–**	120	–
Société des alcools du Québec	1994	**–**	**–**	193	0.1
Ministère des Finances, Government of Québec[3]					
Generations Fund	2007	**9,036**	**3.7**	7,462	3.3
Accumulated Sick Leave Fund	2008	**1,018**	**0.4**	942	0.4
Territorial Information Fund	2011	**96**	**–**	92	–
Agence du revenu du Québec	2012	**111**	**–**	103	–
Total		**248,025**	**100.0**	225,851	100.0

1. On January 1, 2016, this depositor's name changed to Retraite Québec.
2. New depositor in 2015.
3. The Ministère des Finances entrusts la Caisse with a total of five funds.
4. On January 1, 2016, this depositor's name changed to Commission des normes, de l'équité, de la santé et de la sécurité du travail.

MANAGEMENT REPORT

Macroeconomic Environment

FOUR YEARS OF DISAPPOINTING GROWTH

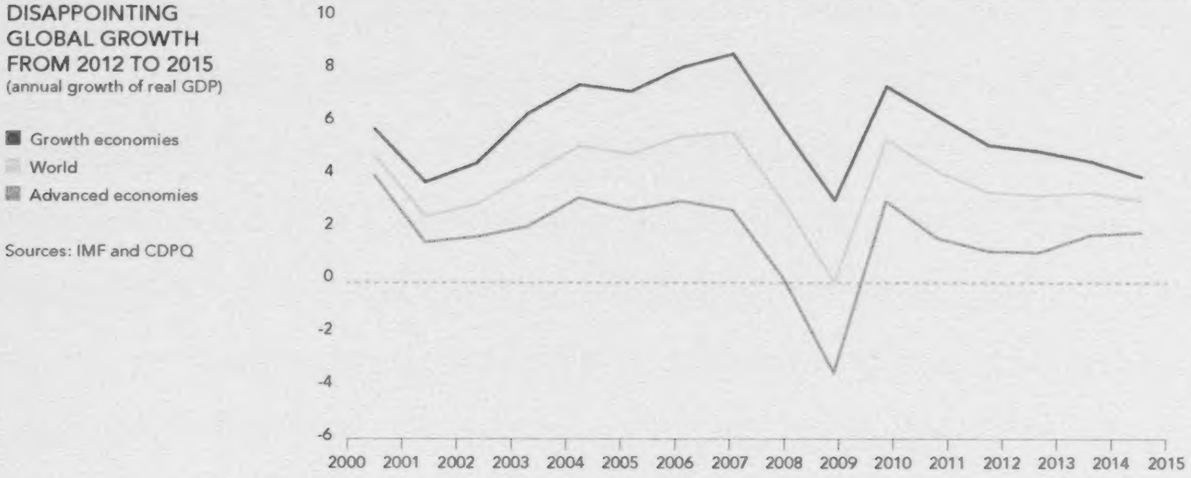
Over the past four years, growth has been disappointing in both advanced and growth market economies. Of the developed countries, the United States posted the best economic performance due to enormous and timely intervention by U.S. authorities to combat the impacts of the financial crisis and the relative absence of structural problems. This helped boost the U.S. stock market and bring the jobless rate down, closer to equilibrium, allowing the Federal Reserve (Fed) to raise its key policy rate last December. This situation contrasts with that prevailing in numerous other developed economies, including the euro zone and Japan, where, despite significant monetary easing, the economic environment has remained fragile because structural issues have not been addressed.

Monetary policy divergences triggered a surge in the U.S. dollar, generating instability elsewhere in the world and accentuating the Chinese slowdown, as most of the period the renminbi was largely pegged to the U.S. dollar.

Growth market economies have experienced significant turmoil in recent years. They were shaken by the plunge in commodity prices, the uncertainty surrounding U.S. monetary policy normalization, their currency's depreciation against the U.S. dollar, the slowdown in China and the rebalancing of its economy toward services and domestic demand, the periodic declines in markets' risk appetite, and poor economic policies. A number of countries have made some progress on structural reforms, such as India, Mexico and China. Brazil, however, is facing some sizeable challenges: it is in a deep recession and the corruption scandal surrounding the state-owned oil company, Petrobras, will delay the structural reforms needed for the economy to reach its full potential.

FIGURE 4

DISAPPOINTING GLOBAL GROWTH FROM 2012 TO 2015
(annual growth of real GDP)



Sources: IMF and CDPQ

GLOBAL ECONOMY: DISAPPOINTMENTS AND DIVERGENCES AMONG COUNTRIES

Global growth has been disappointing over the past four years. Despite some slight acceleration in 2014, economic activity remains weak in advanced countries, particularly in Europe and Japan. In growth markets, a widespread slowdown has persisted since 2011 (see Figure 4, p. 28). Wide divergences have opened up among the world's leading economies; at this time, none seems able to act as an engine of global growth.

Of the developed economies, the United States has posted the strongest economic performance (see Figure 5). This is due to:

- flexibility of the U.S. economy;
- recapitalization of its banking system in the summer of 2009, following the financial crisis;
- the federal government's budgetary stimulus measures and timely introduction of substantial monetary easing measures to combat the deflationary impact of the financial crisis.

These factors helped to keep the curve for government bond yields low, drive the S&P 500 index up more than 70% and create more than ten million jobs. Toward the end of 2015, the unemployment rate returned to equilibrium. GDP growth was 2.4%, which is historically modest but above the potential growth rate, currently estimated at 1.5%. In this context, supply limitations in the labour market, combined with weak growth in labour productivity, have led to higher unit labour costs (see Figure 6, p. 30). Although oil prices collapsed toward mid-2014, core inflation continued to rise, towards 2.0%. The more robust U.S. economy convinced the Fed to wind up its last bond purchasing program in October 2014. It also raised its key rate in December 2015, although it did so cautiously, on account of concerns regarding the U.S. dollar's potential continued appreciation and risks in the global economy.

In Europe, growth was disappointing. Grappling with a debt crisis that most severely affected Ireland, Portugal and Greece, the authorities adopted a very different approach from the Americans:

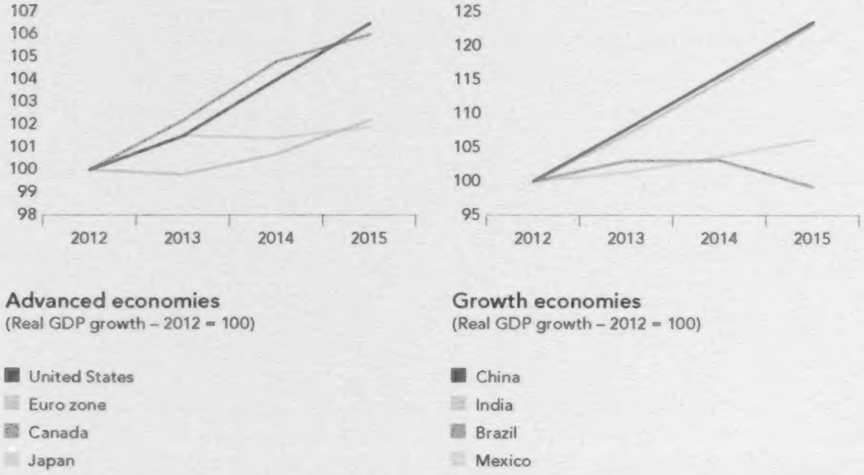
- governments relied on budget austerity;
- the European Central Bank (ECB) injected liquidity into the financial system at the end of 2011 and in 2012 to support credit.

This approach led to weak real growth and an inflation rate well below the target of Europe's monetary authority. It then had to notch up its intervention, primarily by instituting

FIGURE 5

DIFFERENCES BETWEEN THE MAJOR ECONOMIES

Sources: National Statistical Organizations, IMF and CDPQ



Advanced economies
(Real GDP growth – 2012 = 100)

Growth economies
(Real GDP growth – 2012 = 100)

a major government bond purchasing program in January 2015. In the second half of 2014, the markets began to anticipate the program, causing the euro to decline sharply and pulling down European bond yields. The drop in oil prices also contributed to the drop in bond yields in Europe as well as elsewhere in the world. The euro zone's external trade definitely benefited from the lower currency, but the upswing in growth seen in 2015 should be temporary, as it is largely due to the decline in oil prices. On its own, the ECB's actions did not manage to generate a growth dynamic that would yield a stronger recovery; it was also unable to get inflation close to target.

Jolted by both domestic and foreign factors, growth markets have experienced turbulence for the past few years. Many countries have seen their economies slow sharply, while some have been facing a crisis due to weak policy implementation. Most countries are being affected by the complex global economic environment, which is characterized by:

- a strong U.S. dollar;
- uncertainty associated with interest rate normalization in the United States;
- the decline in economic spillovers from China, as the Chinese government is attempting to redirect the economy toward domestic demand and services.

The situation was aggravated by a global decline in risk appetite, which resulted in capital outflows in many countries, currency depreciation and a decline in local stock markets. Many responded by adopting restrictive policies, further undermining economic activity. Nevertheless, there are performance gaps between countries, with those that import commodities (India and China) benefiting over exporting countries (Brazil) (see Figure 5, p. 29).

La Caisse monitors closely three themes that will shape global economic developments in the years to come:

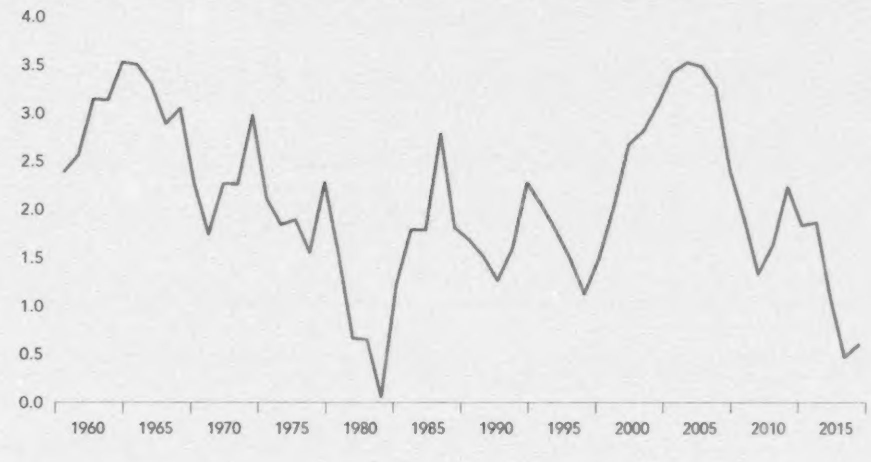
1. The stance of monetary policy and exchange rate developments
2. Oil and other commodity prices
3. Implementation of reforms in growth markets

1. Diverging monetary policy stance and strong exchange rate fluctuations

The significant differences in economic circumstances between the United States and the other developed countries prompted central banks to take different stances

FIGURE 6

LOW PRODUCTIVITY GROWTH IN THE U.S.
(labour productivity as percentage)



▇ 4-year moving average

Sources: Bureau of Labor Statistics and CDPQ on monetary policy. On one hand, the improvement in the U.S. economy requires ongoing gradual monetary tightening. On the other hand, the fragile economic environment in Europe, Japan, and a number of other countries requires central banks to further ease their monetary policy, especially as budgetary stimulus and structural reforms are scarce or have not been aggressive enough to date. The divergence in monetary policy stance led the U.S. dollar to appreciate substantially against most other currencies (see Figure 7).

In the United States, this situation is complicating the Fed's conduct of monetary policy. To prevent the U.S. dollar from rising even more sharply, a situation that would jeopardize growth and inflation, the Fed has been forced to slow down its monetary tightening in comparison with what it would normally have done given the economy's growth.

Elsewhere in the world, the stronger U.S. dollar is having negative repercussions, such as a flight of capital from growth markets, further weakening their growth, and making the burden of U.S.-dollar-denominated debt contracted by foreign corporations swell. In China in particular, the dollar's rise has worsened the economic slowdown, as China's currency was largely pegged to the U.S. dollar. The authorities responded in August 2015 by announcing an adjustment of the exchange-rate setting mechanism and a devaluation of the renminbi by close to 2.0% against the dollar. This situation took the markets by surprise, and added to the level of uncertainty.

In this context, have monetary easing policies done all they can? In addition to not yielding the hoped-for results in terms of growth and inflation in the countries that implement them, such policies result in U.S. dollar appreciation, creating destabilizing effects in the global economy.

2. Oil and commodity prices under pressure

Before it started to slide around mid-2014, the price of West Texas Intermediate oil had remained relatively stable since 2012, oscillating between $80 and $110 (see Figure 8, p. 32). Between June 2014 and the start of 2016, it plunged 75%. This decline, the biggest pullback ever recorded outside of a recession, is largely due to the increase in global oil supply. Global demand, for its part, has remained robust, especially in the United States and countries in emerging Asia.

The decline in oil prices has benefited the global economy, but not as much as expected. The impact of the drop varied depending on whether the country was a net producer or consumer of oil:

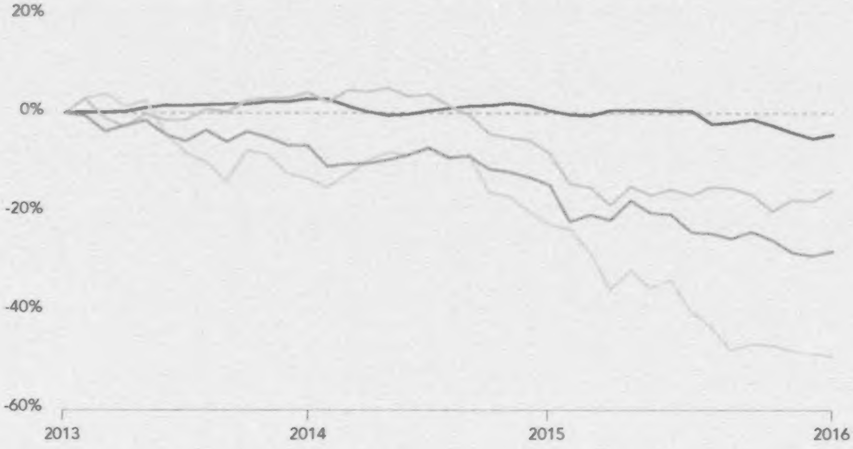
- Canada: negative impact that triggered a sharp contraction in private non-residential investment in the energy sector, and even a short technical recession in the first half of 2015. Furthermore, the increase in refinery and distribution margins limited the cuts to gas prices consumers received. The Canadian dollar fell sharply, while the current account deficit widened.

FIGURE 7

CURRENCY PERFORMANCE IN RELATION TO THE USD

(as a percentage)

■ Chinese renminbi
■ Euro
■ Canadian dollar
■ Brazilian real



Sources: Datastream and CDPQ

Macroeconomic Environment

- United States: generally positive impact. While households benefited from lower prices at the pump, oil sector investment dropped steeply.
- Euro zone: positive impact since the region is a net importer of oil.
- Growth markets: positive impact for importing countries such as India, the Philippines and Indonesia, but especially beneficial for public finances, as governments took advantage of the opportunity to cut their subsidies for oil consumption.

The abundance of oil in the market took prices to levels that are hard to sustain. However, the surpluses should be absorbed gradually, taking prices back to a more viable level very progressively.

In 2015, prices for other commodities continued to trend down. This was primarily due to the Chinese economy's shift in focus, which prompted a structural slowdown of the global demand growth for these products. Despite the low prices, some corporations have been determined to produce, cost what it may, to have enough cash flow to continue operating, thereby fostering stockpiling. Although commodity prices could decline further, they should stabilize in the coming years due to:

- the drop in investment in the sector, which will slow production growth;
- the expected increase in global demand, as the trend toward urbanization and industrialization strengthens in growth markets.

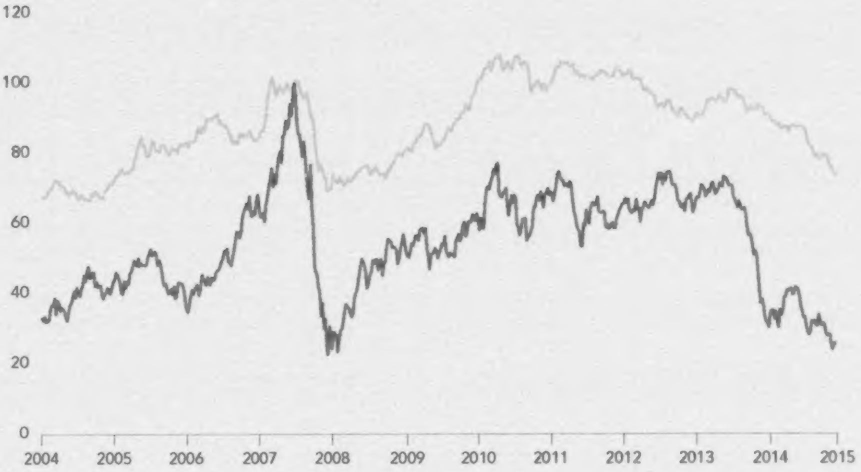
3. Implementation of structural reforms in growth markets and other challenges

In China, growth has slowed in recent years but, at close to 7.0%, remains strong. The real estate sector is improving, but the rebalancing of the economy is proving to be more difficult than anticipated, and will occur more slowly. To achieve this transition and ensure more sustainable growth, the Chinese government is implementing structural reforms that are intended, among other things, to broaden the private sector's role in economic activity and liberalize the financial system. The 13th five-year plan, which starts in 2016, aims for a growth rate of 6.5%, and continues to emphasize the rebalancing process to bolster productivity.

Lastly, the authorities have taken steps to combat the economic slowdown. Although they have some flexibility to institute further measures as needed, they will have to curb credit growth to avoid exacerbating indebtedness, particularly for the banking sector and local governments.

FIGURE 8

CONSIDERABLE DROP IN THE PRICES OF OIL AND OTHER COMMODITIES, EXCLUDING ENERGY



▨ Commodity price index, excluding energy (Bank of Canada)

■ Price oil index (WTI, USD)

WTI peak price = 100

Sources: Datastream, Bank of Canada and CDPQ

The tumble taken by China's stock markets and 2015's massive capital outflow reflect in part the uncertainties over the cyclical slowdown and the exchange rate policy, even though the renminbi has been added to the International Monetary Fund's special drawing rights basket. Clarification of monetary policy, stabilization of market expectations regarding the pace of economic activity, and institution of additional capital controls should contain capital outflows going forward. Given the challenges facing China, its importance on the world stage, and the potential for policy errors, the situation has to be monitored closely.

In India, growth has accelerated in the past four years. With GDP growth above 7.0% in 2015, the country has become the strongest of the globe's leading economies. Over the medium term, the prospects are very promising, due to:

- an absence of major economic imbalances;
- credibility of budgetary and monetary policies;
- implementation of structural reforms.

Among other things, the economy can count on substantial inflows of capital, in particular from foreign direct investment, attesting to a very positive sentiment toward its growth outlook. The authorities are focusing on infrastructure investment and have introduced measures to strengthen the manufacturing sector. The government is also aware of the major challenges in the banking sector and has taken steps towards addressing them. Overall, the reform process is going well, even though the pace may seem slow for improvements to the business environment and greater transparency in the public administrations.

In Mexico, although the economy has been affected by weak oil prices, the fundamentals remain solid with good prospects for growth due to the following factors:

- credible monetary policy, a low inflation rate and stable inflationary expectations;
- the government's sound economic policies including an adjustment to its budget to reduce the impact of the drop in oil revenues.

Structural reforms are ongoing, particularly in the energy and telecommunications sectors, and should have positive repercussions over the medium term. The measures taken to increase competition and reduce the large informal labour sector should stimulate growth. Moreover, external competitiveness has improved substantially with the Mexican peso's depreciation.

Brazil's economy has been mired in a deep recession for two years, sapping domestic demand. The recession reflects the combined impact of the following factors:

- low consumer and business confidence, particularly after the corruption scandal surrounding the state-owned oil company, Petrobras;
- the slowdown in China and sharp decline in commodity prices;
- the tough economic situation, characterized by a deterioration in the labour market, restrictive government policies, and political uncertainty.

Although it has been rising and is well above the central bank's target, inflation should decline given the recession and tighter budgetary and monetary policies. To rebuild confidence and raise long-term growth potential, authorities will have to implement structural reforms. These should focus on the sustainability of public finances, as well as on the financial markets, goods markets and labour market so as to stimulate productivity growth. In the current context, however, there is uncertainty as to whether such reforms will be implemented; without reforms the country's financial stability could be damaged and further pressure exerted on Brazil's currency, which has depreciated sharply since mid-2014.

Analysis of Overall Performance

Over the past four years, la Caisse generated results that have exceeded the long-term needs of its clients. To do so, it engaged in benchmark-agnostic management, selected high-quality assets, increased its exposure to the United States and growth markets, and seized the best business and investment opportunities in Québec. The complex and highly volatile market environment enabled it to demonstrate the resilience of its overall portfolio and the soundness of its investment strategy.

FOUR-YEAR RETURN

La Caisse's overall portfolio had a 10.9% annualized weighted average return on depositors' funds for the four-year period ended December 31, 2015 (see Table 10, p. 35). This return exceeded by 0.9 percentage points the return on its benchmark portfolio, which was 10.0% (see Table 9). This difference represents $8.0 billion of value-added, of which $5.4 billion was generated in 2015. In each asset class, all the portfolios had positive returns.

The Fixed Income asset class generated a 4.0% annualized return, outperforming its benchmark index by 0.5 percentage points. All the portfolios in this asset class added value in relation to their benchmark indexes, with the exception of the Long Term Bond portfolio, which is indexed. With a 4.1% return, the Bond portfolio alone generated $8.8 billion of net investment results (see Table 20, p. 49).

The four-year annualized return for the Inflation-Sensitive Investments asset class was 11.3%. The Real Estate and Infrastructure portfolios had annualized returns of 12.6% and 9.8%, respectively, and generated $13.0 billion of net investment results (see Table 20, p. 49). La Caisse focuses on these assets, since they generate more stable and predictable current yields over the long term.

With $51.4 billion of net investment results, it was the portfolios in the Equity asset class that contributed the most to the four-year overall return. Their annualized return was 14.9%, compared to 13.4% for the benchmark. The Public Equity portfolios returned 15.3%, and the Private Equity portfolio posted an annualized return of 13.4%, for net investment results of $9.8 billion (see Table 20, p. 49).

The three less-liquid portfolios – Private Equity, Real Estate and Infrastructure – generated strong results over the long term with a combined annualized return of 12.4% over four years. Renewed volatility in the equity markets and weaker-than-expected yields on the bond markets underscore the importance of the role played by these more resilient assets in the overall portfolio.

TABLE 9

NET ASSETS AND RETURNS IN RELATION TO BENCHMARK INDEXES

(for periods ended December 31, 2015)

		4 years			1 year		
Asset class	Net assets $B	Net investment results $M	Return %	Index %	Net investment results $M	Return %	Index %
Fixed Income	86.1	11,426	4.0	3.5	3,081	3.9	3.6
Inflation-Sensitive Investments	41.0	13,055	11.3	12.7	3,786	10.6	8.1
Equity	117.6	51,392	14.9	13.4	11,586	11.0	7.2
Active Overlay Strategies	0.5	272	N/A	N/A	42	N/A	N/A
Asset Allocation	1.8	1,325	N/A	N/A	534	N/A	N/A
ABTN	0.1	2,623	N/A	N/A	72	N/A	N/A
Total[1,2]	**248.0**	**81,589**	**10.9**	**10.0**	20,109	9.1	6.7

1. The total includes customized overlay operations, cash activities and completed activities.
2. See General Notes 3 and 6 at the end of the Annual Report.

2015 RETURN

Over one year, the weighted average return on depositors' funds was 9.1%, which is 2.4 percentage points higher than the 6.7% return on its benchmark portfolio (see Table 9, p. 34). In 2015, la Caisse's strategy was put to the test by a complex and highly volatile market, in particular due to:

- uncertainty surrounding monetary policy;
- disorderly currency movements;
- collapsing oil prices.

The investment teams were able to navigate effectively, despite all these conditions, and generated total net investment results of $20.1 billion. The Public Equity portfolios contributed close to half of these results, while the less-liquid portfolios contributed $5.6 billion. The three main asset classes all posted positive returns: 3.9% for Fixed Income, 10.6% for Inflation-Sensitive Investments and 11.0% for Equity.

GEOGRAPHIC DIVERSIFICATION

In addition to investing in Québec and Canada, la Caisse is active on global markets with investments in a variety of asset classes. Over the past four years, it has grown its international exposure by over 13 percentage points. Today, 54% of la Caisse's exposure is outside Canada (see Table 11).

The United States represents a key market for la Caisse. In four years, it invested close to $18.0 billion in real estate, $6.8 billion in private equity and $2.6 billion in infrastructure. As at December 31, 2015, over one quarter of its total exposure was in the U.S. market, for a total amount of $73.4 billion.

TABLE 10

CAISSE RETURNS

(for periods ended December 31 – as a percentage)

	Caisse overall return
4 years (2012-2015)	**10.9**
2015	9.1
2014	12.0
2013	13.1
2012	9.6

TABLE 11

GEOGRAPHIC EXPOSURE OF THE OVERALL PORTFOLIO[1]

(as at December 31 – as a percentage)

	2015	2014
Canada	**46.0**	52.6
United States	**26.5**	21.8
Europe	**13.8**	14.1
Growth markets	**7.7**	6.7
Other regions	**6.0**	4.8
Total	**100.0**	100.0

[1] Based on the country where the main place of business of the company or issuer is located or, in the case of real estate, the geographic location of properties.

Analysis of Overall Performance

La Caisse also continues to invest in growth markets, applying a selective and rigorous approach. At the end of 2015, its exposure to these markets was 7.7%. La Caisse targets specific countries, such as Mexico and India, where promising reforms are underway, relying on a strategy of partnerships with investors and operators whose extensive knowledge of these markets complements la Caisse's expertise.

Lastly, la Caisse's investments increased in other regions of the world in 2015, mainly in Australia, a dynamic country and gateway to Asia, which has good business opportunities.

TABLE 12

COMPOSITION OF THE BENCHMARK PORTFOLIO AND CHANGES IN THE OVERALL PORTFOLIO
(percentage of depositors' net assets)

	Benchmark portfolio				Overall portfolio	
	as at December 31, 2015[1]			as at December 31, 2014[1]		
	Lower limit %	Benchmark portfolio %	Upper limit %	Benchmark portfolio %	as at December 31, 2015 %	as at December 31, 2014 %
Fixed Income						
Bonds	21.6	26.7	33.5	27.2	27.4	27.9
Real Estate Debt	2.5	5.4	8.1	5.5	4.6	4.6
Short Term Investments	0.2	1.1	8.9	1.1	2.0	3.0
Long Term Bonds	0.7	1.0	2.9	1.0	1.0	1.0
Total		34.2		34.8	35.0	36.5
Inflation-Sensitive Investments						
Real Estate	8.0	11.7	15.1	11.7	10.9	10.2
Infrastructure	2.4	5.4	8.6	4.9	5.2	4.5
Real Return Bonds	0.0	0.4	2.2	0.5	0.5	0.4
Total		17.5		17.1	16.6	15.1
Equity						
Global Quality Equity	5.7	10.3	14.6	9.9	13.7	12.6
Canadian Equity	6.3	10.7	15.3	11.1	9.0	10.9
Emerging Markets Equity	2.2	5.4	8.5	5.2	5.5	5.3
U.S. Equity	1.3	5.4	9.6	5.4	4.3	4.6
EAFE Equity	1.2	5.1	9.3	5.1	4.4	4.2
Private Equity	8.1	11.4	14.9	11.4	10.6	9.9
Total		48.3		48.1	47.5	47.5
Other Investments						
Active Overlay Strategies	0.0	0.0	0.5	0.0	0.2	0.2
Asset Allocation	0.0	0.0	0.9	0.0	0.7	0.7
ABTN	N/A	N/A	N/A	N/A	0.0	0.0
Total		100.0		100.0	100.0	100.0

1. The benchmark portfolio and its upper and lower limits are the result of the weighted average of the depositors' respective benchmark portfolios.

CURRENCY EXPOSURE AND FOREIGN EXCHANGE HEDGING

With the exception of certain investments in growth markets, most of the foreign investments in the less-liquid portfolios are hedged against currency fluctuations. All liquid investments, however, have foreign exchange exposure. This approach stems from a decision made by la Caisse in 2010, in co-operation with its depositors, to increase its currency exposure by no longer hedging the liquid portfolios and by creating customized overlay operations.

Net exposure to foreign currencies amounted to 31% of la Caisse's net assets as at December 31, 2015. This exposure had a positive impact on the overall return during the four-year period, mainly because of the U.S. dollar's appreciation against the Canadian dollar.

BENCHMARK PORTFOLIO

La Caisse's benchmark portfolio corresponds to the weighted average of the asset allocation decisions made by each of the depositors when their investment policies are established.

In 2015, aligned with la Caisse's strategic orientations, the depositors reviewed the compositions of their respective benchmark portfolios. As at December 31, 2015, la Caisse's benchmark portfolio showed a lower Bond portfolio weighting in the Fixed Income asset class, and an increased weighting of the Infrastructure portfolio in the Inflation-Sensitive Investments asset class.

In the Equity asset class, the weighting of the Global Quality Equity portfolio and, to a lesser extent, of the Emerging Markets Equity portfolio, increased in 2015 compared to December 31, 2014, whereas the weighting of the Canadian Equity portfolio decreased (see Table 12, p. 36).

OVERALL PORTFOLIO

The composition of the overall portfolio reflects decisions made by the depositors concerning their benchmark portfolios and by la Caisse in relation to the upper and lower limits that are set for each specialized portfolio (see Table 12, p. 36).

As at December 31, 2015, the weighting of the Fixed Income portfolios was down from year-end 2014, due to lower weightings assigned to the Bond portfolio and, above all, to the Short Term Investment portfolio. This increased the weightings given to all portfolios in the Inflation-Sensitive Investments asset class, primarily those of the Real Estate and Infrastructure portfolios. The total weighting of the Equity asset class was unchanged in 2015, although the weightings of each of its portfolios changed. As a result, the lower weighting of the Canadian Equity portfolio left room for higher weightings of other portfolios, mainly the Global Quality Equity and Private Equity portfolios.

Analysis of Performance by Asset Class

For the four-year period, all portfolios in la Caisse's overall portfolio generated positive returns. In 2015, the three main asset classes – Fixed Income, Inflation-Sensitive Investments and Equity – contributed significantly to the overall return.

FIXED INCOME

PORTFOLIOS

Bonds
Real Estate Debt
Short Term Investments
Long Term Bonds

$86.1 B

NET ASSETS

35.0%

OF LA CAISSE'S OVERALL PORTFOLIO

4.0%

FOUR-YEAR RETURN

BONDS

Four-year return

For the four-year period ended December 31, 2015, the portfolio had an annualized return of 4.1% (see Table 20, p. 49). This result was due to:

- lower bond yields in Canada;
- tightening credit spreads between Government of Canada bonds and provincial and corporate bonds.

The return on the portfolio, which outperformed its index by 0.4 percentage points, was largely due to private debt securities and positions in the bonds of financial institutions. The strategy focusing on tightening credit spreads was also beneficial due to the exposure to provincial bonds in the portfolio.

2015 return

The portfolio generated a 3.8% return in 2015 (see Table 20, p. 49). This was attributable to:

- lower yields in Canada;
- credit strategies;
- strong performance by corporate bonds, which are a key area of focus for this portfolio. One of the segments that made the greatest contribution to this return was private debt.

TABLE 13

FTSE TMX CANADA BOND INDEX RETURNS
(as a percentage)

				2015				2014				4 years
FTSE TMX Canada bond indexes	Short-term	Medium-term	Long-term	Total	Short-term	Medium-term	Long-term	Total	Short-term	Medium-term	Long-term	Total
Federal	2.4	5.1	5.4	3.7	2.5	8.7	17.5	6.9	1.8	3.5	4.2	2.7
Provincial	2.9	5.1	4.2	4.1	3.5	9.5	18.0	12.2	2.5	4.5	4.6	4.1
Québec	3.0	5.3	5.1	4.7	3.5	9.5	18.9	12.4	2.5	4.6	4.9	4.3
Corporate	2.7	4.1	1.5	2.7	3.6	9.2	16.1	7.6	3.2	5.6	5.7	4.3
Universe	2.6	4.9	3.8	3.5	3.1	9.2	17.5	8.8	2.4	4.5	4.7	3.6

Table 13 (p. 38) presents the FTSE TMX Canada bond index returns by issuer category. The FTSE TMX Canada Universe Bond Index returned 3.5% in 2015, reflecting lower Canadian government bond yields across the curve. This context of falling yields was favourable to provincial bonds, which once again posted the strongest performance among the segments as a result of their longer maturities.

REAL ESTATE DEBT

Four-year return

Over four years, the portfolio had an annualized return of 5.5%, compared to 3.6% for its benchmark index (see Table 20, p. 49). The value-added was mainly attributable to a current return exceeding that of the index.

2015 return

The portfolio returned 5.1% in 2015, due mostly to the current return. Lowering federal bond yields also contributed positively, but the impact was reduced by widening mortgage spreads. The portfolio's 1.6% value-added was due to the same factors as for the four-year period.

As in previous years, the portfolio's managers maintained their leading position in Québec and continued their operations in Ontario and Western Canada. Transaction volume was on target while the credit quality of the underwritten assets was maintained, in accordance with a strategy designed to protect capital over the long term. Credit performance remained excellent, with none of the portfolio's loans in default on interest payments (90 days or more).

SHORT TERM INVESTMENTS

This indexed portfolio had an annualized return of 1.0% over four years and 0.7% in 2015 (see Table 20, p. 49). These results reflect the low short-term interest rates that have prevailed in recent years.

LONG TERM BONDS

This indexed portfolio had a 4.6% annualized return over four years and a 4.7% return in 2015. These results were attributable to the appreciable current return on long-term bonds and lower yields in Canada.

BOND PORTFOLIO

COMPOSITION

- Bonds:
  - Government of Canada and governments of other countries
  - Governments of Canadian provinces
  - Public and private companies

ADVANTAGES

- Source of current yield and liquidity
- Low risk level
- Diversification
- Protection of the overall portfolio
- Matching of depositors' assets with their long-term financial commitments

REAL ESTATE DEBT PORTFOLIO

COMPOSITION

- Canadian commercial mortgage loans, primarily senior, on office buildings, shopping centres, industrial buildings and multiresidential properties

ADVANTAGES

- Returns exceeding that of bonds
- High and relatively stable current yield
- Low credit risk as a result of prudent underwriting and high asset quality
- Matching of depositors' assets with their long-term financial commitments

INFLATION-SENSITIVE INVESTMENTS

PORTFOLIOS
Real Estate
Infrastructure
Real Return Bonds

$41.0 B
NET ASSETS

16.6%
OF LA CAISSE'S OVERALL PORTFOLIO

11.3%
FOUR-YEAR RETURN

REAL ESTATE

Four-year return

For the four-year period ended December 31, 2015, the portfolio had a 12.6% annualized return (see Table 20, p. 49).

In recent years, managers at Ivanhoé Cambridge, la Caisse's real estate subsidiary, have undertaken a strategic repositioning of the portfolio. They sold properties that no longer match the required quality profile or that are not in targeted segments or markets. In the past five years, over two-thirds of the portfolio's assets have been repositioned. The focus has been on high-quality, resilient assets.

Figures 14 and 15 on page 41 illustrate the result of the strategy to reposition the Real Estate portfolio.

2015 return

The portfolio returned 13.1% in 2015. Ivanhoé Cambridge had an exceptional year in 2015, completing $18.2 billion in transactions, including $12.4 billion in acquisitions and $5.8 billion in property sales. In particular, its managers focused investments in the U.S. market:

- in the multiresidential sector, to take advantage of a strong trend among households toward renting rather than buying;
- in office buildings.

REAL ESTATE PORTFOLIO

COMPOSITION
- Quality buildings located mainly in key cities around the world
- Investments in equities and debt, primarily in shopping centres, office buildings, multiresidential and logistics properties

ADVANTAGES
- Higher current yield than that of fixed income securities
- Diversification
- Protection against inflation over the long term as a result of indexed leases

In 2015, Ivanhoé Cambridge became one of the leading foreign real estate investors in the U.S. office building market, with investments in Chicago, Los Angeles, Boston, Denver, Seattle and New York. During the year, it also became the seventh largest property owner in Manhattan following two major transactions:

- Stuyvesant Town/Peter Cooper Village: pursuant to an agreement with the City of New York, this large housing complex was acquired with its partner, Blackstone, for USD 5.3 billion;
- Three Bryant Park: acquisition of this prestigious office building located in Midtown Manhattan for USD 2.2 billion.

Ivanhoé Cambridge's European assets also performed exceptionally well in 2015, due, among other factors, to key investments such as those in Gecina and P3 Logistic Parks, and to the repositioning of the portfolio in London and in Paris. The main transactions were:

- Hamlet Gardens, 4B Merchant Square, 39 Hill Street and Circus Apartments: joint investments totalling close to GBP 300 million with Residential Land to acquire these four multiresidential properties in London;
- T1 and B towers in the La Défense area and 75, avenue de la Grande Armée: the sale of these three office buildings in Paris.

Other major acquisitions carried out by Ivanhoé Cambridge around the world included:

- Chongbang: joint investment with APG, a pension fund asset manager, for a strategic interest in Chongbang, a leading developer, owner and operator of mixed-use real estate projects based in Shanghai;
- Liberty Place: acquisition of 25% of this 42-storey office building in the downtown core of Sydney, representing Ivanhoé Cambridge's first real estate investment in Australia.

Ivanhoé Cambridge continued to implement its $1-billion investment plan for downtown Montréal, focusing in particular on Place Ville Marie, Fairmont The Queen Elizabeth hotel and Maison Manuvie. In Québec City, it began modernizing the Place Ste-Foy and Laurier Québec shopping centres and is completing Phase 1 of the Quartier QB residential project.

FIGURE 14

GEOGRAPHIC EXPOSURE – REAL ESTATE
(as a percentage)

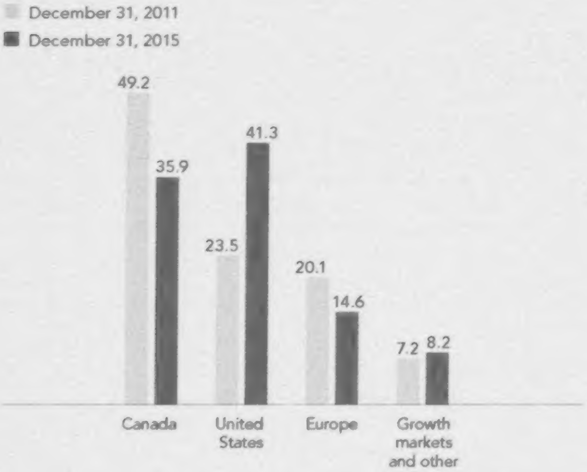
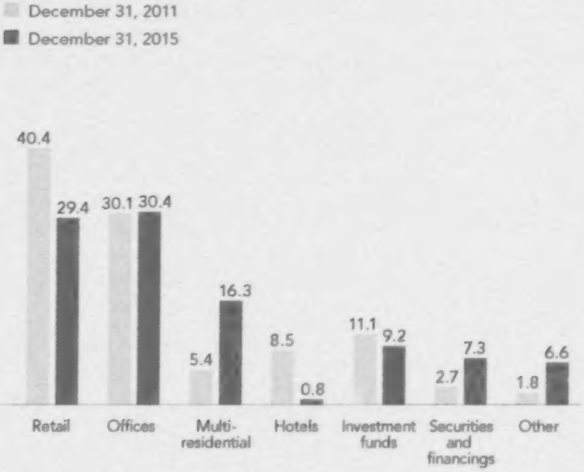


FIGURE 15

SECTORAL EXPOSURE – REAL ESTATE
(as a percentage)



Analysis of Performance by Asset Class

INFRASTRUCTURE

Four-year return

For the four-year period ended December 31, 2015, the portfolio generated a 9.8% annualized return (see Table 20, p. 49).

Slightly more than half of this performance was due to the current return, which reflects solid results from the operating companies in the portfolio. The remaining portion was attributable to higher asset values, reflecting their quality and the growing interest among investors for this asset class.

With $7.4 billion in infrastructure investments over four years, the size of this portfolio has more than doubled, from $5.8 billion in net assets at the end of 2011 to $13.0 billion at the end of 2015. This growth resulted in greater asset diversification, both geographically and by sector (see Figures 16 and 17, p. 43). The portfolio managers increased exposure in the United States and Australia and, to a lesser extent, in growth markets. They also invested more in public service infrastructure.

2015 return

The portfolio returned 6.6% in 2015 (see Table 20, p. 49). During the year, the portfolio managers made acquisitions totalling $3.5 billion, including:

- Transgrid: participation in the consortium of investors that acquired the 99-year lease of Australia's largest electricity transmission network located in the State of New South Wales, for a holding of close to 25% (AUD 1.2 billion);
- Eurostar: acquisition, in partnership with Hermes Infrastructure, of 40% (30% Caisse, 10% Hermes) of Europe's pre-eminent high-speed rail operator;
- Southern Star Central Corporation: partnership with GE Energy Financial Services to jointly acquire this well-established company that operates a regulated natural gas pipeline network in the United States.

In collaboration with a consortium of Mexican institutional investors, la Caisse established a co-investment platform to carry out several transportation and energy infrastructure projects in Mexico ($2.8 billion over five years). This represents la Caisse's first infrastructure investment in Mexico, a country with strong growth potential.

INFRASTRUCTURE PORTFOLIO

COMPOSITION

- Interests in companies that operate ports, airports, highways, wind farms, oil, gas and electricity transmission and distribution systems, water distribution systems, and passenger transportation systems
- Quality companies that have low risk profiles and that are less sensitive to fluctuating economic conditions

ADVANTAGES

- Stable and predictable income over the long term
- Protection against inflation over the long term

In 2015, la Caisse created a new subsidiary, CDPQ Infra, to serve as owner-operator of infrastructure projects. Two proposals in Québec are currently being studied on a priority basis: the electric public transit system planned on Montréal's new Champlain bridge and that linking downtown Montréal to Montréal-Trudeau International Airport and the West Island.

REAL RETURN BONDS

This indexed portfolio had an annualized return of 1.0% over four years (see Table 20, p. 49). In 2015, the portfolio benefited from the lower real rates and posted a 2.8% return.

FIGURE 16

GEOGRAPHIC EXPOSURE – INFRASTRUCTURE

(as a percentage)

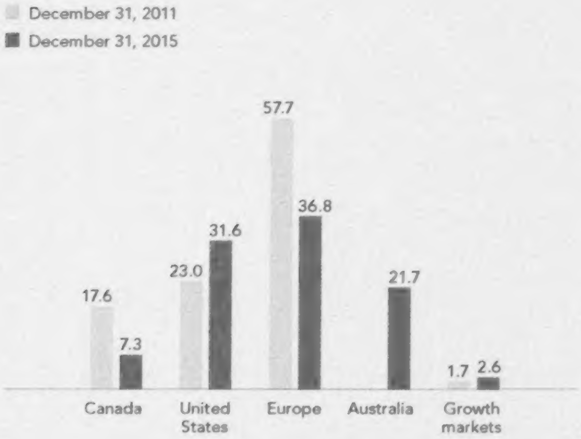
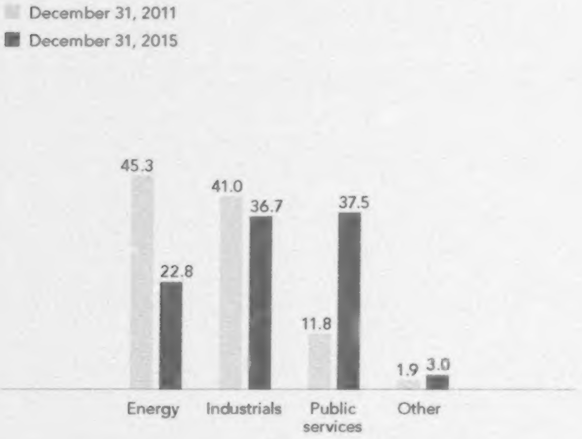


FIGURE 17

SECTORAL EXPOSURE – INFRASTRUCTURE

(as a percentage)



Analysis of Performance by Asset Class

EQUITY

PORTFOLIOS
Global Quality Equity
Canadian Equity
Emerging Markets Equity
U.S. Equity
EAFE Equity
Private Equity

$117.6 B
NET ASSETS

47.5%
OF LA CAISSE'S OVERALL PORTFOLIO

14.9%
FOUR-YEAR RETURN

GLOBAL QUALITY EQUITY

Four-year return

Since it was created in 2013, this portfolio, managed using a benchmark-agnostic approach, has generated an annualized return of 24.0%, or 6.7 percentage points more than its benchmark index. In only three years it has contributed close to two-thirds of the value-added achieved by all the equity portfolios over four years, for a contribution of $3.6 billion.

2015 return

Over one year, the portfolio returned 21.5% (see Table 20, p. 49). This result reflects the excellent performance of certain securities of companies in the United States, Europe and Japan. The gains came in particular from companies in the healthcare sector (Medtronic, UnitedHealth, Roche), the consumer products sector (Unilever, Kimberly-Clark) and the telecommunications sector (KDDI, Orange).

What makes these results even more remarkable is the fact that the ongoing growth of the main market index returns came to a halt in 2015 (see Figure 19, p. 47), mainly as a result of market concerns over:

- slowing growth in China;
- the prospect of higher interest rates in the United States;
- a weaker growth outlook in the developed countries.

In such an environment, la Caisse's focus on quality securities proved profitable. Even though a higher U.S. dollar reduced profits of some of the multinationals in the portfolio, it was beneficial to returns in Canadian dollars.

Although the period since the portfolio's implementation has been rather short, renewed volatility on the equity markets in 2015 provided an opportunity to confirm the portfolio's resilience in market downturns. In fact, the portfolio produced a higher risk-adjusted return than the market during this period.

GLOBAL QUALITY EQUITY PORTFOLIO

COMPOSITION

- Securities of large established companies traded on the stock exchanges of countries in the MSCI ACWI Index (United States, Canada, Europe, Australasia, Far East and emerging markets)

ADVANTAGES

- Risk-adjusted returns exceeding that of the equity markets on a long-term horizon
- Geographic diversification
- Protection against inflation over the long term
- Relative protection during strong market corrections

CANADIAN EQUITY

Four-year return

For the four-year period ended December 31, 2015, the portfolio posted an annualized return of 7.8%, which is 1.4 percentage points higher than its benchmark index (see Table 20, p. 49). It generated net investment results of $6.6 billion. The portfolio's absolute return during this period is attributable to:

- the strong performance in the finance, consumer products and information technology sectors;
- an investment strategy aimed at selecting quality securities, in particular those of Canadian companies with a very high exposure to the U.S. market;
- the substantial weighting in Québec companies, which accounted for 35.7% of the portfolio as at December 31, 2015. These securities generally performed very well due to, among other factors, their lower exposure to the natural resources sector and greater exposure to the U.S. market.

2015 return

In 2015, the Canadian equity market was hard hit by the collapse of oil and other commodity prices, which weakened the portfolio's return. However, the -3.9% return was still better than the -7.3% return on its benchmark index (see Table 20, p. 49), showing the portfolio's resilience since the introduction of a benchmark-agnostic approach. Today, the portfolio is more concentrated and relies on quality securities that are less sensitive to market fluctuations. Among these securities, we note the strong performance of companies in the consumer products sector (Couche-Tard, Magna, Dollarama), the information technology sector (CGI), the materials sector (Agrium) and the healthcare sector (Catamaran Corporation).

EMERGING MARKETS EQUITY

Four-year return

Over four years, the portfolio had an annualized return of 8.6%, or 0.7 percentage points higher than its benchmark index (see Table 20, p. 49). This result was due to the good performance of Asian equity markets, particularly those of China, Taiwan, South Korea and India. It also demonstrates the relevance of having integrated an active management component in this portfolio since July 2013. These activities generated an annualized return of 21.3% since their implementation and were carried out alongside well-established partners, with deep knowledge of these markets, and who share la Caisse's benchmark-agnostic approach.

2015 return

In 2015, the portfolio returned 5.8% (see Table 20, p. 49), due in large part to the positive contribution made by active management. The portfolio benefited from the selection of quality securities, in particular those of companies:

- in the consumer products, finance and information technology sectors;
- that performed particularly well, as part of the new Chinese economy.

CANADIAN EQUITY PORTFOLIO

COMPOSITION

- Securities of publicly-traded companies in all sectors of the economy

ADVANTAGES

- Long-term returns exceeding that of fixed income
- Protection against inflation over the long term

EMERGING MARKETS EQUITY PORTFOLIO

COMPOSITION

- Securities listed on the stock exchanges of countries in the MSCI EM Index
- A-shares listed on the Shanghai and Shenzhen stock exchanges

ADVANTAGES

- Returns exceeding those of the equity markets in developed countries over the long term
- Geographic diversification

Analysis of Performance by Asset Class

U.S. EQUITY

This indexed portfolio had a 24.7% annualized return over four years and a 21.7% return in 2015 (see Table 20, p. 49). During this period, the appreciation of the U.S. dollar against the Canadian dollar had a positive impact on the portfolio's returns.

EAFE EQUITY

This indexed portfolio had a 17.1% annualized return over four years and a 19.3% return in 2015 (see Table 20, p. 49). The depreciation of the Canadian dollar against the currencies of most of the countries included in the index had a major impact on these returns.

PRIVATE EQUITY

Four-year return

For the four years ended December 31, 2015, the annualized return on the Private Equity portfolio was 13.4%, compared to 13.2% on its benchmark index (see Table 20, p. 49). This solid performance was due in particular to higher earnings reported by the companies in the portfolio and by their improved operating performance. Several companies also made acquisitions at attractive valuations and made initial public offerings, which increased the value of la Caisse's shareholdings.

In recent years, the portfolio's composition has changed to focus more on direct investments and less on funds. The portfolio's weighting in funds therefore fell from 68.0% in 2009 to 44.0% at the end of 2015. This decision was profitable because la Caisse's direct investments outperformed funds over the past four years, at 15.9% compared to 10.9%.

Over four years, la Caisse invested $15.6 billion in private equities. As shown in Figure 18, this has changed the geographical distribution of the portfolio's holdings, with a marked increase in investments in Canada.

PRIVATE EQUITY PORTFOLIO

COMPOSITION

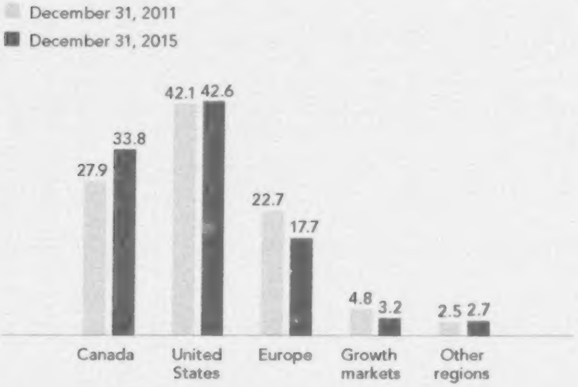
- Direct investments in companies in all sectors of the economy, especially defensive sectors and quality companies with stable, predictable earnings
- Stakes in high-performing investment funds

ADVANTAGES

- Returns exceeding those of the equity markets over the long term

FIGURE 18

GEOGRAPHIC EXPOSURE – PRIVATE EQUITY
(as a percentage)



2015 return

In 2015, the portfolio returned 8.4% (see Table 20, p. 49). During the year, la Caisse invested $5.6 billion in private equities through several major transactions, both in Québec and internationally.

Furthermore, the portfolio managers are committed to contributing to the growth of solid Québec companies that can compete with the best in their industries. They played an active role in a number of diverse projects aimed at international growth, innovation and business succession. The companies in which la Caisse invested in 2015 include:

- Lightspeed: an $80-million investment with partners in this business specialized in cloud technology, so that it could continue to grow internationally, optimize its technological infrastructure and further develop its e-commerce offering;
- WSP: a $62.5-million reinvestment in this global engineering leader to help finance the acquisition of the MMM Group, a leading Canadian engineering consulting firm;
- Cirque de Soleil: a 10% interest to further the company's growth and back the international expansion of this major producer of high-quality artistic entertainment;
- D-BOX: a $5-million investment in this innovative business specialized in motion simulation systems for the entertainment market so that it can grow and expand internationally.

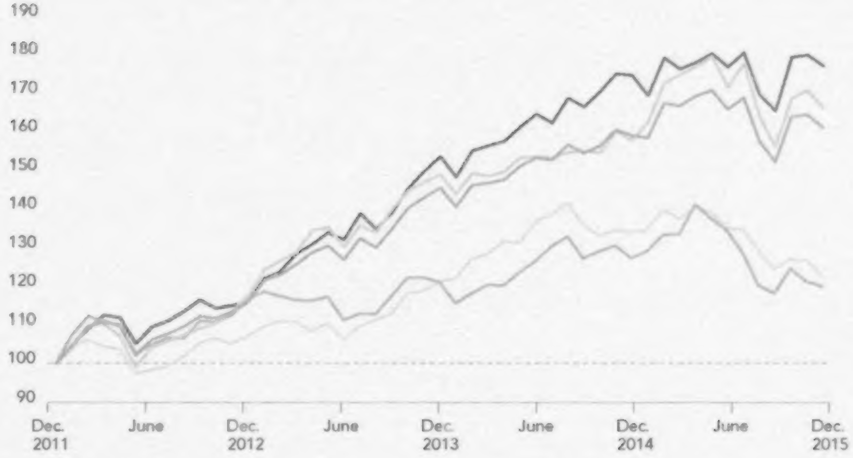
Other major transactions were also concluded around the world, including:

- SPIE: additional equity of EUR 100 million invested in this company, which has become an independent European engineering leader;
- SterlingBackcheck: a joint investment with Goldman Sachs to acquire a majority interest in this New York firm, one of the largest background screening companies in the world.

La Caisse also invested USD 1.5 billion in Bombardier Transportation to acquire 30% of this global leader in the rail industry with substantial growth potential.

FIGURE 19

EQUITY MARKETS PERFORMANCE 2012-2015
(December 31, 2011 = 100, in local currencies)



Source: Rimes

Analysis of Performance by Asset Class

OTHER INVESTMENTS

ACTIVE OVERLAY STRATEGIES

The Active Overlay Strategies portfolio consists of non-capitalized investment activities with a benchmark-agnostic management objective. Since its creation on January 1, 2014, it has generated $272 million in net investment results. For 2015, the portfolio contributed $42 million (see Table 20, p. 49). These results were mostly due to:

- strong performance by the external funds in the portfolio;
- tactical management operations, consisting mainly of foreign exchange hedging operations and positions based on improving conditions in the stock markets in Asia and the United States.

ASSET ALLOCATION

Four-year results

Over four years, the asset allocation activities generated net investment results of $1.3 billion (see Table 20, p. 49). The main contribution to these results comes from positions taken on liquid markets to reduce the opportunity cost associated with slower than expected deployment of capital in the less-liquid portfolios.

2015 results

The net investment results associated with these activities totalled $534 million in 2015 (see Table 20, p. 49). Most of the gains were generated by positions taken on equity markets as well as on currencies, in particular on the U.S. dollar.

ABTN

Four-year results

Over four years, this portfolio contributed $2.6 billion to net investment results (see Table 20, p. 49), mainly because:

- the market value of positions rose with the shorter average maturities of securities in the portfolio and improved market conditions;
- the rate spreads on more risky assets narrowed.

The provision fell from $4.0 billion as at December 31, 2011 to $135 million as at December 31, 2015.

2015 results

The portfolio's 2015 contribution to net investment results was $72 million (see Table 20, p. 49). Major positions were closed out during the year, including the hedging and external financing related to these positions. Close to half of the portfolio's value was therefore closed out. Even though this had no impact on the results, it was part of a desire to recover the cash related to these assets, reduce financing and close out the portfolio in the short term. With an average maturity of one year, the portfolio's operations will end by 2016-2017.

RETURNS BY SPECIALIZED PORTFOLIO

Table 20 on page 49 gives the returns on the specialized portfolios in relation to their benchmark indexes for the four-year and one-year periods ended December 31, 2015.

ACTIVE OVERLAY STRATEGIES PORTFOLIO

COMPOSITION

- Investments in external funds
- Internally managed positions on financial markets, mainly in the form of financial instruments that are liquid and transparent

ADVANTAGES

- Moderate risk-return profile
- Possibility of generating returns that outperform bonds but with less risk than with equity markets
- Diversification
- Low correlation with equity markets

ASSET ALLOCATION PORTFOLIO

COMPOSITION

- Positions on financial markets, mainly in the form of financial instruments that are liquid and transparent

ADVANTAGES

- Calibration of the risk-return profile of la Caisse's overall portfolio
- Protection against extreme fluctuation risks
- Enhancement of the overall portfolio's return

TABLE 20

SPECIALIZED PORTFOLIO RETURNS IN RELATION TO BENCHMARK INDEXES

(for periods ended December 31, 2015)

			4 years			1 year		
Specialized portfolio	2015 Index	Net assets $B	Net investment results $M	Return %	Index %	Net investment results $M	Return %	Index %
Fixed Income								
Bonds	FTSE TMX Canada Universe Bond, adjusted to increase the proportion of Québec bonds in the index	67.9	8,794	4.1	3.7	2,390	3.8	3.7
Real Estate Debt	FTSE TMX Canada Universe Bond	11.3	1,955	5.5	3.6	536	5.1	3.5
Short Term Investments	FTSE TMX Canada 91 Day T-Bill	4.5	261	1.0	0.9	49	0.7	0.6
Long Term Bonds	FTSE TMX Government of Canada long-term bonds, adjusted to increase the proportion of provincial bonds in the index	2.4	416	4.6	4.7	106	4.7	4.8
Total		86.1	11,426	4.0	3.5	3,081	3.9	3.6
Inflation-Sensitive Investments								
Real Estate	Aon Hewitt – Real Estate, adjusted	27.0	10,031	12.6	13.8	3,052	13.1	15.4
Infrastructure	MSCI ACWI Infrastructure Index, partially hedged and adjusted	13.0	3,006	9.8	12.9	705	6.6	(5.1)
Real Return Bonds	FTSE TMX Canada Real Return Bonds	1.0	18	1.0	1.0	29	2.8	2.8
Total		41.0	13,055	11.3	12.7	3,786	10.6	8.1
Equity								
Global Quality Equity	Index consisting of 85% MSCI ACWI Index, unhedged, and 15% FTSE TMX Canada 91 Day T-Bill Index	33.9	12,480	N/A	N/A	5,964	21.5	14.6
Canadian Equity	Index consisting of 90% S&P/TSX Capped Composite Index and 10% Morningstar National Bank Québec Index	22.4	6,567	7.8	6.4	(925)	(3.9)	(7.3)
Emerging Markets Equity[1]	MSCI EM, unhedged and adjusted	13.7	3,107	8.6	7.9	750	5.8	3.6
U.S. Equity	S&P 500, unhedged	10.6	9,063	24.7	24.7	2,117	21.7	21.6
EAFE Equity	MSCI EAFE, unhedged	10.9	6,210	17.1	16.7	1,852	19.3	19.0
Public Equity[2]		91.5	41,621	15.3	13.4	9,758	11.6	7.8
Private Equity	Index, hedged, consisting of 50% MSCI World and 50% State Street Private Equity Index, adjusted to reflect the investment areas of the specialized portfolio	26.1	9,771	13.4	13.2	1,828	8.4	4.1
Total		117.6	51,392	14.9	13.4	11,586	11.0	7.2
Other Investments								
Active Overlay Strategies		0.5	272	N/A	N/A	42	N/A	N/A
Asset Allocation[3]		1.8	1,325	N/A	N/A	534	N/A	N/A
ABTN		0.1	2,623	N/A	N/A	72	N/A	N/A
Total[4]		248.0	81,589	10.9	10.0	20,109	9.1	6.7

1. This portfolio was indexed until June 30, 2013.
2. The contributions of the Global Equity portfolio and the Québec International portfolio are included in this line.
3. The results include the specialized portfolio and the overlay operations.
4. The total includes customized overlay operations, cash activities and completed activities.

Risk Management

RISK MANAGEMENT AT LA CAISSE

In 2015, la Caisse continued to implement its strategy of managing the greater part of its portfolio on a benchmark-agnostic basis while maintaining a level of absolute risk similar to that of its benchmark portfolio. Meanwhile, it further developed its strategic investment process and improved its governance structures. The organization's sound risk culture was recognized in a study by the Moody's credit rating agency.

HIGHLIGHTS

1

In 2015, the market risk of the overall portfolio increased only slightly compared to 2014 despite an increased weighting of the portfolio's riskier asset classes intended to benefit the return.

2

La Caisse continued to develop its strategic investment process and improve its governance structures.

3

The organization's high standards for risk governance were confirmed by Moody's.

CHANGES IN RISK MEASUREMENT

In recent years, la Caisse has continued to improve its risk management. Since 2010, it has gradually replaced the assets for which it has less in-depth knowledge with others of which it has stronger expertise and to which it subjects to more in-depth analysis. The shift to benchmark-agnostic management has also led to a significant reduction of the absolute risk of the overall portfolio.

Throughout 2015, la Caisse deployed its investment strategies while rigorously and proactively managing its risks, taking into account:

- the global economic environment;
- changes in financial markets;
- its portfolio's sectoral and geographic concentrations.

In a highly volatile market environment, la Caisse kept its overall financial risks at the same level as in 2014.

Market risk

From the end of 2011 to the end of 2015, the absolute risk of la Caisse's overall portfolio dropped from 26.2% to 24.2%. As shown in Figure 21 (p. 51), the absolute risk as at December 31, 2015 was slightly higher than one year earlier, when it represented 23.9% of net assets. Absolute risk remained at a moderate level throughout the year, without any major fluctuations. The benchmark portfolio's absolute risk moved almost in step, ending the year at 24.4%, compared to 24.0% one year earlier.

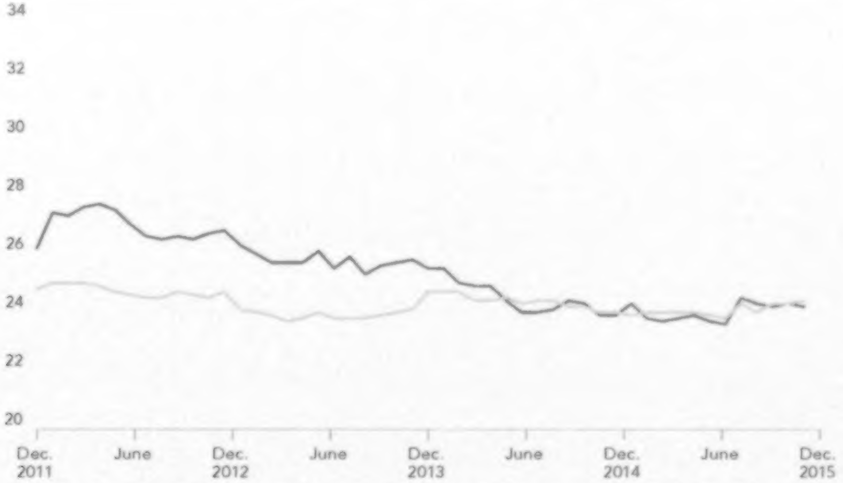
La Caisse's benchmark-agnostic strategy also brought the level of market risk of the overall portfolio close to that of its benchmark portfolio. Since 2013, the risk framework for the absolute risk is based on the ratio of the overall portfolio's absolute risk relative to that of its benchmark portfolio. From the end of 2011 to the end of 2015, this ratio declined significantly, from 1.05 to 0.99 (see Figure 22, p. 51). After climbing to 1.11 in 2012, the ratio has consistently fallen, stabilizing at around 1.0 since mid-2014. Keeping the ratio close to this level demonstrates that la Caisse has generated value-added without assuming more risk than for its benchmark portfolio.

As shown in Table 23 (p. 52), the overall portfolio's market risk grew only slightly from 2014 to 2015, despite an increase in the portfolio's share of riskier asset classes, held to benefit the return on the portfolio. The weights of the Fixed Income asset class and the Canadian Equity portfolio fell 1.5% and 1.9%, respectively, while there was an increase in the weights of the Global Quality Equity portfolio (1.1%) and the less-liquid portfolios: Real Estate (0.7%), Infrastructure (0.7%) and Private Equity (0.7%) (see Table 12, p. 36).

FIGURE 21

CAISSE ABSOLUTE RISK AND BENCHMARK PORTFOLIO RISK[1]
(as a percentage)

■ Caisse absolute risk
■ Benchmark portfolio risk

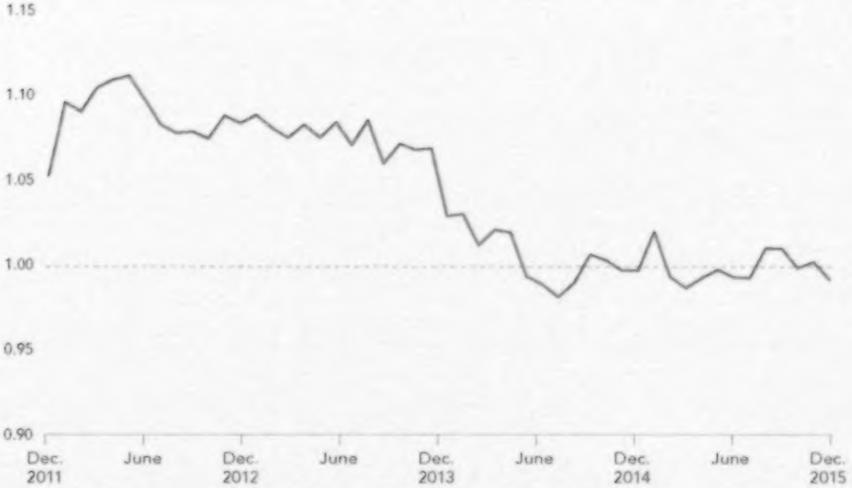


1. The risk figures preceding June 2014 were adjusted to reflect the changes in the risk calculation methodology that occurred in 2014.

FIGURE 22

ABSOLUTE RISK RATIO[1]

■ Absolute risk ratio



1. The risk figures preceding June 2014 were adjusted to reflect the changes in the risk calculation methodology that occurred in 2014.

Risk Management

The following factors helped maintain the level of market risk in 2015:

- Continued implementation of the defensive strategy in the Equity asset class, aimed at limiting the effects of volatility. This asset class's market risk decreased 0.9 percentage points, even though the weight of the Private Equity portfolio increased. The weighting of the Canadian Equity portfolio was reduced 1.9%, mainly to the benefit of an increase in net assets in the Global Quality Equity and Private Equity portfolios. The reduced risk in the Equity asset class was due to:
  - net asset growth in the Global Quality Equity portfolio, which generates a higher return with a level of risk below its target (see Figure 24);
  - lower market risk in the Private Equity portfolio, attributable to a change in its composition and an investment modelling update.
- The 1.5% reduction in the weighting of the Fixed Income asset class to increase that of the Infrastructure and Real Estate portfolios. Despite the increased weighting of the Infrastructure and Real Estate portfolios in the overall portfolio, better geographic and sectoral diversification of the assets helped maintain the risk level of the Inflation-Sensitive Investments asset class.
- Maintaining positions taken to protect the portfolio against an eventual increase in interest rates. Since 2015 was mostly characterized by lower interest rates, the absolute value of the specialized portfolios most sensitive to rate fluctuations – Bonds, Infrastructure and Real Estate – rose significantly.
- Asset allocation operations, mainly through arbitrage positions in equity markets. The entry-exit strategy in 2015 proved to be well-founded, without adding excessive risk.

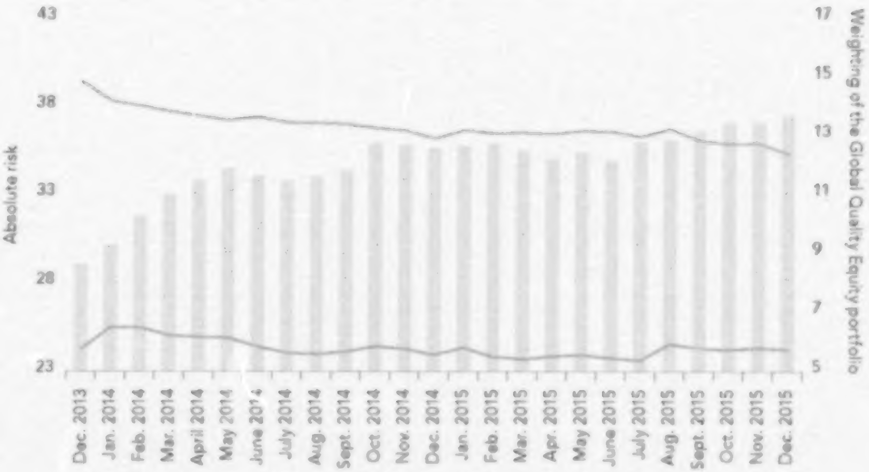
TABLE 23

MARKET RISK – ABSOLUTE
(as a percentage of total net value of the asset class as at December 31)

Asset class	2015	2014
Fixed Income	**8.6**	8.4
Inflation-Sensitive Investments	**31.9**	31.7
Equity	**35.3**	36.2
Other investments	**1.2**	1.5
Overall	**24.2**	23.9

FIGURE 24

IMPACT OF THE GLOBAL QUALITY EQUITY PORTFOLIO'S WEIGHTING ON CHANGES IN ABSOLUTE RISK[1]
(as a percentage)



1. The risk figures preceding June 2014 were adjusted to reflect the changes in the risk calculation methodology that occurred in 2014.

Credit risk

The credit risk of the Bond portfolio rose slightly in 2015 as a result of the increased weighting of corporate securities and securities from growth markets compared to 2014.

In managing credit risk, la Caisse analyses and monitors its investments. It also establishes an internal rating for each one. Changes to internal credit ratings, including differences with the ratings given by agencies, are closely monitored by an independent internal credit committee consisting of members of the risk management and investment teams. To measure and monitor this risk, the teams use potential capital losses, a measure that incorporates probabilities of default, correlations and recovery assumptions.

Concentration risk

Despite the increasingly large positions taken in certain investments, the overall portfolio's concentration risk remained stable in 2015. To mitigate this risk, la Caisse focuses on sound geographic and sectoral diversification of its assets. It continued to diversify in 2015 by investing in varied sectors and by increasing its exposure in global markets.

Counterparty risk

La Caisse's counterparty risk declined significantly in 2015 due to reduced exposure to equity derivatives.

La Caisse tracks a series of financial indicators for each of its counterparties on a daily basis. Their financial health is periodically assessed by the organization's experts in finance and risk management. Throughout the year, la Caisse actively managed changes in the credit quality of its counterparties, while keeping this risk at a low level (see Table 25).

Liquidity risk

As seen in recent years, la Caisse could count on an adequate level of liquidity in 2015. At year-end, its portfolios had $46 billion in liquidity, versus $52 billion at the end of 2014. This level allows la Caisse to easily meet potential commitments, even in the event of a major market correction (see Note 12 to the consolidated financial statements, on page 166).

REVIEW OF OVERSIGHT AND PROCESSES

In 2015, la Caisse continued to strengthen its risk management oversight and processes through several initiatives.

Strategic planning of investments and monitoring of strategic risks

As part of its annual strategic investment planning exercise, la Caisse established the future orientations of its portfolio and aligned them with its investment strategies. The goal of this approach is to ensure more cohesiveness among its positions within the overall portfolio.

TABLE 25

EXPOSURE TO COUNTERPARTY RISK[1,2]

(as at December 31 – in millions of dollars)

	2015	2014[3]	2013[3]	2012[3]
Gross exposure without offsetting effect	**741.7**	1,059.7	1,918.1	2,464.7
Net exposure under ISDA agreements[4]	**5.4**	61.8	97.5	51.5

1. Over-the-counter derivatives with and by the real estate subsidiaries are excluded.
2. Offset over-the-counter derivatives are excluded.
3. Figures preceding 2015 have been adjusted to exclude over-the-counter derivatives between la Caisse and its subsidiary Ivanhoé Cambridge.
4. Net exposure under ISDA agreements is gross exposure less offsetting of amounts at risk and exchange of collateral.

Risk Management

The risk management teams played a key role in this process, which was expanded in 2015. They conducted numerous analyses to identify the issues and assess the risks associated with the orientations and strategies under consideration. Working with Investment Management and the various investment groups, they participated in the development of the 2016-2019 strategic priorities.

Placing greater emphasis on the strategic role played by governance

La Caisse strengthened its governance of strategic investment management, including risk management. It reviewed the mandate and operating rules of the investment committees supported by the Risk group to leverage their strategic role.

La Caisse's high standards for risk management governance were recognized in 2015. In a study of 28 Canadian financial institutions, Moody's rating agency gave la Caisse an excellent grade for transparency and disclosure of its risk management governance practices and principles, placing it among the leading fund managers.

Creation of a transversal analysis team

The Risk group established a transversal analysis team to identify the orientations for fundamental risk analysis. Its work also consists of:

- identifying la Caisse's transversal risk management issues, including those related to concentrations in growth markets;
- assessing their repercussions;
- performing in-depth analyses of these issues.

This initiative underscores la Caisse's determination to place more emphasis on transversal management and the risks in all of its investment portfolios. An accounting is now carried out on all the portfolios to have a transversal vision of concentrations in the overall portfolio.

Risk map

The transversal analysis team developed a map of financial risks. Derived from efforts to monitor portfolios and external market conditions, this exercise involved drawing up a list of the high-priority risks to be monitored. A review will be conducted in 2016 of the actions required to mitigate these risks. The Operational Risk Management Committee also updated its operational risk map. In sum, work done to mitigate these risks was ongoing in 2015.

New oversight and monitoring for various asset classes

La Caisse has amended several of its investment policies to reflect the orientations adopted as part of strategic planning. The Risk group participated in this exercise by reviewing its processes for monitoring and following up on the work of managers. The changes affect the Private Equity, Infrastructure, Public Equity and Fixed Income portfolios.

In the Fixed Income portfolio, risk management is now based on estimated definitive capital losses. Monitoring efforts limit potential losses on the basis of estimated probabilities of default and recovery rates. This measure complements the market risk limit and is better able to capture issuers' default correlations.

Review of the Integrated Risk Management Policy

The Integrated Risk Management Policy has been revised and simplified. It now refers to the 12 guiding principles for governance and risk management (see the box on p. 55). Formalized in 2014, these principles serve as a framework, notably for: the roles of the Board of Directors and senior management, the client-focused approach, independence of functions and accountability, collaboration for overall management and responsible investment.

The policy also provides for new investment authorization levels applicable to all of la Caisse's active management activities.

IMPROVED RISK MANAGEMENT METHODOLOGIES AND TOOLS

Improvements to the risk-return report

In 2015, the risk-return report for la Caisse's overall portfolio was enhanced and now takes more transversal risks into account. A transversal risk management model for businesses and growth markets was also developed.

Modelling the Real Estate portfolio's market risk

La Caisse completed its work to obtain a better estimate of the market risk of portfolios holding less-liquid assets. For its Real Estate portfolio, it implemented modelling by risk factor, similar to the modelling implemented in 2013 for the Infrastructure portfolio. Developed in collaboration with Ivanhoé Cambridge, this approach makes it possible to:

- analyze market risk as a function of potentially influential factors shared by all the investments in the Real Estate portfolio;
- carry out sensitivity studies of these factors.

Better investment comparability

Working with the investment teams, the risk teams developed a method for measuring the comparability of investments using risk premiums. Establishing a premium for each investment type allows for better comparisons between them, which is highly useful for decision making. This method greatly facilitates assessments of the quality of less-liquid assets such as infrastructure and real estate assets, which are more difficult to compare. It is also used to compare fixed income investments.

New stress tests

Risk management teams conducted various stress tests to quantify the potential repercussions of certain market events on the overall portfolio. These tests enhance the array of scenarios developed to support investment decision-making.

Strengthened capabilities in quantitative analysis

The risk management teams continued to refine their quantitative analysis methods and tools to be able to provide better risk monitoring. The improvements include:

- access to higher quality data in order to make more detailed analyses of portfolio concentrations and inform managers of their concentration levels by country of place of business and by earnings;
- changes to how liquidity risk is measured (rebalancing, sources and commitments) in order to adequately estimate the level of liquidity required during periods of extreme market movements;
- a new tool for monitoring private equity investments to identify and monitor risk issues.

FOUNDATIONS OF RISK MANAGEMENT

GOVERNANCE AND RISK MANAGEMENT AT LA CAISSE ARE BASED ON THE FOLLOWING ELEMENTS:

> Risk tolerance framework
> Roles of the Board of Directors and of senior management
> Client-focused approach
> Long-term investment strategy
> Liquidity and financing management
> In-depth knowledge
> Independence of functions and accountability
> Collaboration to achieve overall management
> Operational excellence
> Derivative financial instruments and counterparty risk
> New investment activities and new financial instruments
> Responsible investment

LA CAISSE IN QUÉBEC

La Caisse's achievements in Québec

AN IMPACTFUL ROLE WITH QUÉBEC'S COMPANIES
and economy

550

SMEs THROUGHOUT QUÉBEC THAT PARTNER WITH LA CAISSE

330

BUILDINGS OWNED OR FINANCED

$15.0 B

NEW INVESTMENTS IN THE PAST 6 YEARS

AN APPROACH FOCUSED ON FOUR PILLARS

GROWTH OF BUSINESSES

In 2015, la Caisse helped further the growth of several Québec businesses, including WSP Global, D-BOX, Fabritec and Agropur Cooperative.

INNOVATION

One of our priorities is to invest in innovative companies and funds that specialize in innovation, such as Lightspeed, XPNDCROISSANCE and iNovia.

PROJECTS WITH IMPACT

With two electric public transit systems being studied for Montréal and three downtown real estate projects underway, la Caisse is making investments that have an impact in Québec.

ENTREPRENEURIAL INITIATIVES

Two major projects were launched in 2015 to help boost the Québec entrepreneurial culture and ensure that many more strong businesses are able to fuel the economy.

La Caisse's achievements in Québec

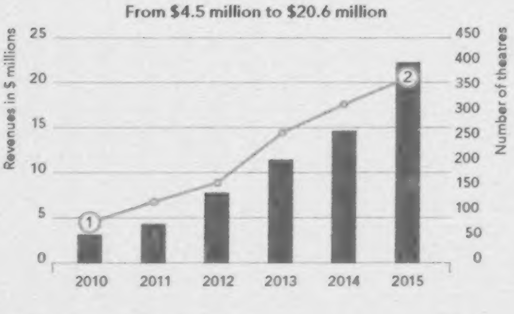
FOUR FOCUS PILLARS TO MAXIMIZE OUR IMPACT IN QUÉBEC

GROWTH OF BUSINESSES

D-BOX

A global leader in the development of motion-simulation systems for the entertainment market, D-BOX met with experts in China through networking connections facilitated by Ivanhoé Cambridge in Asia. The Chinese market may therefore soon join the 40 other countries already using D-BOX technology. Since the first investment by la Caisse in 2010, D-BOX revenues and the number of theatres deploying its technology have grown tremendously.

Growth in revenues and in the number of theatres using the system



INVESTMENTS BY LA CAISSE

① $7.1 million to help D-BOX optimize its business model

② $5 million to further the growth of the company and its international expansion

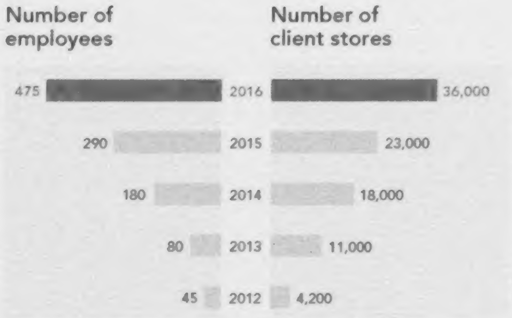
INNOVATION

LIGHTSPEED

Created in 2005, Lightspeed is one of the new economy companies recognized for their strong growth. As a result, the company received support from a number of funds for innovation, including that of iNovia Capital in 2014. A year later, la Caisse alongside Investissement Québec to invest in Lightspeed with iNovia, enabling the company to refine its technological solutions and pursue its international growth.

A few key figures

> 17,000 transactions per minute processed with its cloud platform
> 36,000 clients in 100 countries
> More than 475 employees



PROJECTS WITH IMPACT

AU SOMMET PLACE VILLE MARIE

The top floors of Place Ville Marie, a main hub of Montréal's downtown core, are undergoing an innovative transformation designed to offer new experiences. To carry out the project, Ivanhoé Cambridge has teamed up with Claridge and creative partners gsmprjct°, which specializes in the creation and production of visitor experiences, Sid Lee and Cirque du Soleil. The objective: create a key attraction sure to draw Montrealers and tourists alike.

> 43rd floor: Lounge
> 44th floor: Terraces and Les Enfants Terribles restaurant
> 45th floor: Interactive and evolving Montréal-focused Exhibition Gallery
> 46th floor: Observatory offering a stunning view

ENTREPRENEURIAL INITIATIVES

DEVENIR ENTREPRENEUR

Devenir entrepreneur, an ambitious entrepreneurship awareness campaign, strives to encourage more Quebecers to put their business ideas into action. It promotes entrepreneurship as a career option through a number of channels, including television advertisements and a web series entitled *The Defining Moment*. On the site, entrepreneurs of all ages and backgrounds share their stories about the turning point in their careers – the defining moment – when their bright idea developed into a real project.

La Caisse's achievements in Québec

A COMMITMENT THAT GENERATED TANGIBLE RESULTS IN 2015

La Caisse is a leading institution in Québec. It deeply understands this market, and with its teams' expertise and know-how, as well as its strategic advantages, it aims to generate returns for its clients, the depositors, and have an impact on the Québec economy.

To strengthen Québec's economic fabric, la Caisse fosters the development of small, medium-sized and large high-performing companies, undertakes major real estate and infrastructure projects, and serves as a catalyst to stimulate entrepreneurship. In this way, it achieves both facets of its mission: generate a return for its clients while contributing to Québec's economic development.

In 2015, la Caisse continued to refine its approach in Québec by concentrating its efforts on four pillars: growth, innovation, projects with impact and entrepreneurship. It focused on expansion projects outside Québec and on innovation initiatives by many Québec companies, as well as on major real estate and infrastructure projects. This focus translated into new investments and commitments of $2.2 billion for the year (excluding its investment in Bombardier Transportation), for a total of $11.2 billion over four years.

More than ever, la Caisse's investments extended beyond dollars, with its teams notably reflecting on the best ways to finance infrastructure projects. This work led to a new and innovative model that will enable Caisse funds to finance projects that will improve productivity and stimulate economic activity while delivering returns. This public-public partnership model resulted in the implementation of CDPQ Infra, a new subsidiary responsible for undertaking public infrastructure projects. CDPQ Infra is currently studying two public transit projects.

La Caisse also continued to deploy its *Innover. Agir.* program through the launch, in partnership with Desjardins Group and National Bank, of the *Devenir entrepreneur* campaign. It also continued to implement its plan for downtown Montréal, which includes the innovative *Au Sommet Place Ville Marie* project and transformation of Fairmont The Queen Elizabeth hotel.

> As at December 31, 2015,
> LA CAISSE'S TOTAL
> ASSETS IN QUÉBEC
> STOOD AT $59.7 BILLION.

TABLE 26

ASSETS AND COMMITMENTS IN QUÉBEC – PRIVATE EQUITY

(as at December 31 – in millions of dollars)

	2015			2014		
	Assets	**Undisbursed commitments**	**Assets and undisbursed commitments**	Assets	Undisbursed commitments	Assets and undisbursed commitments
Small and medium-sized businesses	**980**	**673**	**1,653**	824	812	1,636
Large businesses	**7,543**	**266**	**7,809**	6,789	408	7,197
Total	**8,523**	**939**	**9,462**	7,613	1,220	8,833

LONG-TERM PARTNER OF QUÉBEC COMPANIES

La Caisse contributes to the growth of strong Québec companies able to compete with the best in their industry and in world markets. La Caisse builds long-term partnerships with these companies in order to have a genuine impact on their growth and help them create sustainable value. It offers them not only financing but also value-added services, including access to its business networks here in Québec and around the world, as well as to the solid sector-specific and transactional expertise of its teams.

WORKING WITH MEDIUM-SIZED AND LARGE BUSINESSES

La Caisse has developed unique expertise in helping medium-sized and large companies with their growth and business succession. Its participation takes the shape of private equity, publicly-traded stocks and direct financing. La Caisse helps these companies create sustainable value, notably through innovation, modernization and acquisition initiatives. In 2015, for example, it contributed to the realization of business projects conducted by WSP Global, D-BOX, Lightspeed, Manac, Fabritec Group, Agropur Cooperative, Cirque du Soleil, IPL, Logistec and Fix Auto.

TABLE 27

TOP 10 QUÉBEC INVESTMENTS – PRIVATE EQUITY
(as at December 31, 2015)

CAMSO (formerly Camoplast Solideal)
CGI Group
Industrial Alliance, Insurance and Financial Services
Laurentian Bank of Canada
Quebecor
Quebecor Media
SNC-Lavalin Group
TAD Canco (Kruger)
Trencap (Gaz Métro)
WSP Global Group

INVESTMENT ACTIVITIES – PRIVATE EQUITY

In 2015, new private equity investments and commitments by la Caisse in Québec totalled close to $610 million (this amount excludes the investment in Bombardier Transportation). Total assets reached $8.5 billion (see Table 26, p. 62). The top 10 private equity investments in Québec are shown in Table 27, while examples of transactions conducted during the year are presented on page 66.

SMALL CAPS

La Caisse also invests in publicly-traded Québec companies with market capitalization of less than $1 billion. This commitment helps stimulate Québec's equity market and the growth of these companies. Several such transactions took place in 2015, and a number of examples can be found on page 66.

La Caisse's achievements in Québec

INVESTMENT ACTIVITIES – PUBLIC EQUITY

As at December 31, 2015, assets in Québec public equities totalled $8.2 billion (see Table 28). Table 29 presents the top 10 positions in this asset class.

The weight of Québec securities in la Caisse's Canadian Equity portfolio reached 35.7%. By comparison, the weighting of securities of Québec companies in the S&P/TSX index for the same period was only 19.3%. This weighting, which far exceeds the index, had a positive impact on the portfolio's return. The Morningstar National Bank Québec Index, which measures the stock market performance of Québec companies, ended 2015 with a 1.4% return, versus a -8.3% return for the S&P/TSX index.

PARTNERSHIPS THAT FUEL THE GROWTH OF SMEs

In addition to the activities of its investment teams, la Caisse has formed partnerships with a number of funds in Québec, some of which date back several years. This strategy enables it to fuel the growth of SMEs while accessing a pipeline of promising businesses. In doing so, la Caisse further promotes the vitality of the Québec economy, considering that Québec SMEs contribute to it substantially.

CAPITAL CROISSANCE PME FUND

The Capital croissance PME fund (CCPME), created by la Caisse in partnership with Desjardins Group, places a particular focus on the growth of businesses in the regions of Québec and aims to maintain Québec-based ownership of businesses whose owners are planning to retire. In 2015, this fund invested a total amount of $62.5 million in 80 companies.

TABLE 28

PORTFOLIO ASSETS OF QUÉBEC PUBLIC EQUITIES
(as at December 31 - in millions of dollars)

	2015	2014
Total – Public Equity	**8,193**	8,325

TABLE 29

TOP 10 QUÉBEC POSITIONS – EQUITY MARKETS
(as at December 31, 2015)

- Alimentation Couche-Tard
- CAE
- Canadian National Railway Company
- CGI Group
- Dollarama
- Gildan Activewear
- Industrial Alliance, Insurance and Financial Services
- National Bank of Canada
- Power Corporation of Canada
- SNC-Lavalin Group

INNOVATION CAPITAL

Through targeted partnerships with well-established funds, la Caisse strives to ensure that new businesses can successfully navigate the initial stages of their development. In 2015, it made the following two new commitments:

- $20 million in iNovia Capital's iNovia IV fund, which directs its investments towards new generation digital platforms and services;
- $15 million in XPNDCROISSANCE, a fund dedicated to the technology, media, entertainment and sustainable transportation sectors.

La Caisse also has an ongoing partnership with Teralys Capital since its inception in 2009. Teralys invests in and develops specialized venture capital funds in the information technology, life sciences and green technology sectors. Through its various funds and directly, Teralys invested a total of $123 million in 44 Québec businesses in 2015.

CAPITAL AND EXPERTISE FOR SPECIALIZED SECTORS

Some sectors play a specific role in Québec's economy. To meet the needs of businesses in these sectors, la Caisse has introduced a value-added offering by teaming up with specialized funds and by creating funds that provide both capital and expertise.

QUÉBEC MANUFACTURING FUND

La Caisse has committed $200 million to the Québec Manufacturing Fund (QMF) which, since 2006, has been working with Québec manufacturers to help expand their operations. These contributions are more than just financial; QMF managers work alongside the management teams of the investee companies, notably to help them improve profitability, define strategic actions and coordinate their deployment.

In 2015, for example, la Caisse and the QMF jointly invested $6 million in Fabritec Group, a Bromont-based Québec company that designs and manufactures kitchen cabinets and bathroom vanities. The investment will enable the purchase of new equipment and the implementation of a new production line to bolster the expansion of this Québec manufacturer, which is seeing a significant increase in orders from international clients.

SODÉMEX

The $75-million Sodémex Exploration fund and $250-million Sodémex Développement fund play a role in meeting the needs of Québec companies in the natural resources sector at every stage of their growth. The team running this fund has technical and operational mining industry expertise. La Caisse has been the sole investor in the Sodémex Exploration fund since 1997 and launched Sodémex Développement in 2013.

As at December 31, 2015, the two Sodémex funds held interests in approximately 50 Québec businesses active in the natural resources sector.

La Caisse's achievements in Québec

SOME OF THE DIRECT INVESTMENTS MADE IN BUSINESSES

In 2015, la Caisse invested in several businesses. Companies of all sizes, at different stages of growth. Here are a few examples.

WSP GLOBAL

Global engineering leader
Montréal

- Additional investment of $62.5 million (fourth investment since 2011)
- Financing of the acquisition of a Canadian engineering consulting firm

AGROPUR COOPERATIVE

Agri-food
Longueuil

- $150 million in financing
- To enable the company to strengthen its position as one of North America's largest dairy processors

CIRQUE DU SOLEIL

International producer of high-quality artistic entertainment
Montréal

- 10% interest
- To facilitate the company's growth and further its global expansion

LOGISTEC

Maritime and environmental services
Montréal

- $69-million investment
- To purchase a shareholder's stake in the company

MANAC

Design, manufacturing and distribution of trailers and semi-trailers
Saint-Georges

- $32-million investment (for a total of $40 million, including the $8 million invested by the QMF)
- To privatize the company and foster its growth, in partnership with the founding family (Dutil)

JEAN LESAGE INTERNATIONAL AIRPORT

Airport infrastructure
Québec City

- $53 million in financing
- To upgrade and expand the airport

FABRITEC

Design and manufacturing of kitchen cabinets and bathroom vanities
Bromont

- $3-million investment (for a total of $6 million, including the $3 million invested by the QMF)
- For the purchase of some of the most advanced equipment in the country and the creation of a new production line

FIX AUTO CANADA AND MONDOFIX

Auto collision repair franchises
Blainville

- $8.2-million investment
- To further the growth of the company

NAPEC

Construction and maintenance of electrical transmission lines and natural gas distribution networks
Drummondville

- $0.9-million share purchase
- To enable the company to deploy its growth plan

STINGRAY DIGITAL GROUP

Provider of multiplatform music services and multimedia solutions
Montréal

- $2.2-million share purchase
- To enable the company to continue to grow through acquisitions

EXEMPLES OF INVESTMENTS MADE THROUGH FUNDS

Through its investments in funds, la Caisse gains access to a pipeline of promising businesses, enabling it to then invest directly in those that stand out for their growth.

Here are a few examples of companies in which we invested through our partner funds in 2015.

XPNDCROISSANCE

> TÉO TAXI (Taxelco)
Montréal
Electrification of the taxi industry

> LION BUS
Saint-Jérôme
Manufacturing and commercializing of electric school buses

iNOVIA CAPITAL

> CREW LABS
Montréal
Service offering platform for freelance developers and designers

ANGES QUÉBEC CAPITAL

> HEXOSKIN (Carré Technologies)
Montréal
Design and manufacturing of wearable devices and health monitoring software

> INTELIA TECHNOLOGIES
Joliette
Design, development and manufacturing of advanced electronics used for livestock production

TERALYS
MCROCK CAPITAL
ET WHITE STAR CAPITAL

> MNUBO
Montréal
Management and analysis of intelligent data for the Internet of Things

SODÉMEX EXPLORATION

> MIDLAND EXPLORATION
Montréal
Mineral exploration for precious and base metals

SODÉMEX DÉVELOPPEMENT

> COULON MINES
Québec City
Base metals development project (copper and zinc)

NOVACAP

> NITREX METAL
Saint-Laurent
Provider of heat treatment equipment and services

La Caisse's achievements in Québec

A LEADER IN QUÉBEC REAL ESTATE

Through its two subsidiaries, Ivanhoé Cambridge and Otéra Capital, la Caisse plays a leading role in the Québec real estate sector. Investments in real estate are crucial to the economy and generate key benefits for the entire province and its cities.

As at December 31, 2015, la Caisse's real estate assets in Québec totalled $10.3 billion, as detailed in Table 30. The top 10 real estate investments in Québec are presented in Table 31.

IVANHOÉ CAMBRIDGE

Ivanhoé Cambridge, a world-class real estate company, is a leader in Québec's office building and shopping centre sector. As at December 31, 2015, it owned 21 properties in Québec with a total value of $6.2 billion. These holdings include eight shopping centres, eight office buildings, three prestigious hotels and a multiresidential complex.

During the year, Ivanhoé Cambridge notably continued to deploy its plan for downtown Montréal, which led to, among other things:

- the announcement of a partnership with a number of Montréal firms to create Au Sommet Place Ville Marie, an entertainment and dining destination on the top floors of 1, Place Ville Marie;
- the announcement of a major transformation of the Fairmont The Queen Elizabeth hotel valued at $140 million to restore the status of this prestigious hotel as a leading luxury destination in downtown Montréal;
- the launch of construction of Maison Manuvie, a 27-storey building in the heart of Montréal.

Ivanhoé Cambridge also began the modernization of the Laurier Québec shopping centre in Québec City, which represents an investment of $18 million. In addition, it continued the modernization of Place Ste-Foy and the construction of the Quartier QB residential complex, phase 1 of which is slated for delivery in the summer of 2016. Once completed, this project will offer more than 400 rental apartments and close to 200 condominiums.

OTÉRA CAPITAL

Otéra Capital, one of Canada's leading mortgage lenders, is very active in Québec, where it managed assets totalling $4.1 billion as at December 31, 2015. Otéra finances more than 300 commercial buildings across Québec. In 2015, the company granted some 30 new loans and refinancing, for a total of more than $965 million.

TABLE 31

TOP 10 QUÉBEC INVESTMENTS – REAL ESTATE
(as at December 31, 2015)

Centre CDP Capital, Montréal
Fairview Pointe-Claire, Pointe-Claire
Galeries d'Anjou, Montréal
Laurier Québec, Québec City
Le 1000 De La Gauchetière, Montréal
Montréal Eaton Centre, Montréal
Place Ste-Foy, Québec City
Place Ville Marie, Montréal
Rockhill, Montréal
World Trade Centre Montréal, Montréal

TABLE 30

REAL ESTATE ASSETS AND COMMITMENTS IN QUÉBEC
(as at December 31 - in millions of dollars)

	2015			2014		
	Assets	**Undisbursed commitments**	**Assets and undisbursed commitments**	Assets	Undisbursed commitments	Assets and undisbursed commitments
Shopping centres	**3,458**	**56**	**3,514**	3,499	53	3,552
Offices	**4,459**	**264**	**4,723**	4,276	185	4,461
Other	**2,397**	**380**	**2,777**	2,275	164	2,439
Total	**10,314**	**700**	**11,014**	10,050	402	10,452

AN INNOVATIVE MODEL FOR PUBLIC INFRASTRUCTURE PROJECTS: CDPQ INFRA

In 2015, la Caisse introduced a unique model to finance and carry out public infrastructure projects.

This public-public partnership model was developed following an extensive review on how best to finance infrastructure projects while aligning the infrastructure needs of governments with the objectives of an investor such as la Caisse. For its part, la Caisse was seeking to invest in assets that generated attractive, stable and predictable long-term returns with a low risk of capital loss.

With this innovative model, la Caisse proposes to use its extensive knowledge of global best practices in infrastructure, acquired through 15 years of investing in this sector in Canada, Europe, the United States and Australia, to finance and undertake infrastructure projects, because they drive productivity. These systems, which connect people to jobs, information and world markets, make the economy more competitive.

La Caisse therefore established a new operational subsidiary for the infrastructure sector that brings together engineers and project management specialists. The mandate of CDPQ Infra is to carry out commercially viable infrastructure projects from start to finish, i.e. from the planning and financing stages of the project to its construction and operation.

During the year, implementation of the new subsidiary notably included the hiring of more than 20 infrastructure experts and the establishment of the governance structure as set out in the commercial agreement with the Government of Québec. The CDPQ Infra team also launched the study of two projects identified as priorities: the electric public transit system on the new Champlain Bridge and the one linking downtown Montréal to Montréal-Trudeau International Airport and the West Island.

The consultation processes, conducted in collaboration with the main municipal partners in the Montréal metropolitan region, will be launched in the spring of 2016.

La Caisse's achievements in Québec

A KEY FINANCING ROLE IN QUÉBEC

La Caisse is a major holder of Québec bonds in the public and private sectors.

Through its activities, la Caisse helps expand the resources available to Québec's public bodies and enhances the liquidity of their securities. As a result, these institutions have better access to financing, enabling them to generate economic activity.

A long-standing partner of many Québec companies, la Caisse is also active in the private financing market. Over the years it has helped underwrite many projects that have enabled Québec companies to grow in local and international markets.

In 2015, certain investments that reached maturity were not renewed. La Caisse's assets in bonds issued by Québec's public and private sectors therefore totalled $32.7 billion. Table 32 shows la Caisse's Québec bond holdings.

TABLE 32

ASSETS IN QUÉBEC – BONDS
(as at December 31 – in billions of dollars)

	2015	2014
Québec public sector		
Government of Québec	**19.5**	17.8
Hydro-Québec	**4.5**	4.4
Other crown corporations	**1.3**	1.8
Municipalities and para-governmental corporations	**0.9**	1.0
Subtotal	**26.2**	25.0
Private sector: corporate securities	**6.5**	9.0
Total	**32.7**	34.0

CONCRETE INITIATIVES TO STIMULATE ENTREPRENEURSHIP IN QUÉBEC

For la Caisse, stimulating entrepreneurship to generate a dynamic entrepreneurial ecosystem is vital for the sustainable growth of the Québec economy. This is why it is one of its top priorities. La Caisse seeks to promote the role of entrepreneurs in society and instill a strong entrepreneurial culture to foster the emergence of companies that will fuel tomorrow's economy.

Beyond culture, la Caisse also strives to stimulate the growth and international expansion of small and medium-sized companies in Québec. In 2015, it announced the creation of Espace CDPQ and continued its deployment of the *Innover. Agir.* initiative with the launching of the three-year *Devenir entrepreneur* campaign.

ESPACE CDPQ

In 2015, la Caisse marked its 50th anniversary with a permanent gesture for Québec's economy when it announced the creation of Espace CDPQ. This entrepreneurial ecosystem creates an environment conducive to financing, fostering development and collaborating with SMEs in the growth, globalization or ownership transfer phase. With this project, la Caisse aims to give new impetus to the most promising businesses and able to succeed in the global marketplace. Espace CDPQ is slated to open in 2016.

A COMMUNITY OF DIVERSE ENTREPRENEURIAL GROUPS

Espace CDPQ will bring key players from the entrepreneurial world together under one roof at Place Ville Marie to create a financing and development hub. The financing component will involve multi-sector venture capital firms that complement one another, including Anges Québec and iNovia Capital. La Caisse is establishing a $50-million fund as part of the initiative. The development component will be ensured by organizations such as the Business Families Foundation and École d'entrepreneurship de Beauce. The venue, which will generate synergies and encourage its tenants to work collaboratively to take businesses even further, will become a select location for building partnerships with venture capital firms outside Québec, such as in Toronto, New York or Boston.

The Espace CDPQ community aims to connect with businesses across Québec via a unique and complete ecosystem. The collaboration is expected to lead to innovative solutions and new ways to facilitate the growth and globalization of Québec's SMEs. This entrepreneurial hub will also become a pool conducive to the emergence of new and promising businesses and a pipeline for potential investments for la Caisse.

La Caisse's achievements in Québec

DEVENIR ENTREPRENEUR

On October 13, 2015, la Caisse, Desjardins Group and National Bank kicked off *Devenir entrepreneur*, an extensive entrepreneurship awareness campaign and one of the top priorities identified in the first phase of the *Innover. Agir.* initiative: stimulate entrepreneurial culture. *Devenir entrepreneur* aims to inspire young people and their circles to consider entrepreneurship, inform them about the role of an entrepreneur, and close the considerable gap between Quebecers who plan to go into business and those who actually make the leap. The integrated campaign is being rolled out on a number of platforms, including television, social media and digital.

LAUNCH OF THE WEBSITE devenirentrepreneur.com

Launched in 2015, the *devenirentrepreneur.com* website was created with input from entrepreneurs from all regions, age groups and industries, with a view to building a practical, inspirational site. The site features a number of testimonials and entrepreneur profiles, provides advice and tips, and directs entrepreneurs to the resources available that can best meet their needs.

To promote entrepreneurial-oriented educational initiatives, the site also provides access to the *Entreprendre c'est apprendre* toolbox, designed for primary and high school teachers. A one-of-a-kind learning aid, the toolbox was developed in collaboration with close to 20 organizations that work with young people and the Québec school network.

Also available on the *devenirentrepreneur.com* site is the web series *The Defining Moment*, which tells the stories of entrepreneurs from a variety of backgrounds. Dynamic and inspiring, these short video clips are also widely available on social media sites.

PARTNERSHIPS WITH KEY STAKEHOLDERS

La Caisse also continued to stand behind many initiatives and organizations that promote entrepreneurship and the emergence of new entrepreneurs. The following are a few examples:

- Prêt à Entreprendre, which, since its creation in 2012 has backed close to 150 entrepreneurs who operate some 100 businesses, with more than $3 million in loans granted;
- Youth Fusion, an organization dedicated to lowering school dropout rates, which added an entrepreneurial component to its activities in 2015 as part of the *Devenir entrepreneur* campaign;
- La Grande journée des petits entrepreneurs, now in its second year, which grew considerably in 2015 and has attracted close to 2,000 young people from across Québec.

PARTNERSHIPS FOCUSED ON GROWTH AND INTERNATIONAL EXPANSION

La Caisse is associated with many organizations and groups whose mission is to prepare Québec businesses to become leaders in their sectors. Among these are:

- École d'Entrepreneurship de Beauce, a school created to strengthen the leadership of business owners;
- Les Manufacturiers et Exportateurs du Québec, which helps Québec manufacturers and exporters become more competitive on local and international markets;
- Réseau Capital, which contributes to the growth and efficient operation of the private equity industry;
- Réseau QG100, a group of business leaders who promote the development of leading global companies and contribute to their sustainability in the context of international competition;
- Passeport PME, a training and advisory program for SMEs with strong potential for international development.

A LEADER IN QUÉBEC'S FINANCIAL INDUSTRY

Through the very nature of its operations, la Caisse plays a major role in Québec's financial industry. It also ensures the emergence of new financial leadership by developing a pool of qualified experts.

Over the years, la Caisse has developed partnerships with Québec's largest universities to meet the specific needs of the financial sector. This collaboration involves funding for research chairs and the creation of training programs. A number of examples follow:

- The Caisse de dépôt et placement du Québec Research Chair in Portfolio Management at Université du Québec à Montréal (UQAM);
- The Caisse de dépôt et placement du Québec Leadership Chair in Actuarial Management of Asset Risks at Université Laval;
- Intensive training program for executives of fast-growing SMEs seeking to expand internationally, offered at HEC Montréal;
- Study on responsible investment at the Université de Sherbrooke;
- Study on responsible investment at Concordia University;
- Sustainable Investment Professional Certification Program at Concordia University.

COLLABORATION WITH THE FINANCIAL SECTOR

La Caisse plays a very active role in Finance Montréal, an organization that aims to strengthen Québec's financial sector. For example, it helped establish the International Pension Conference of Montréal, whose third edition was held in 2015. As part of the program of structured, supervised internships for finance students, established in collaboration with Finance Montréal, la Caisse hired 16 interns in 2015, for a total of 73 since the program was created in 2011.

During the year, la Caisse also joined other financial stakeholders to produce a study on the financing ecosystem in order to better understand the financing needs of Québec businesses.

STRENGTHENING THE VITALITY OF SEVERAL SECTORS

As a world-class investor, la Caisse uses the services of many Québec companies in the financial sector and a variety of other areas. Most of la Caisse's daily banking transactions are handled by banks and brokers in Québec. The operations of la Caisse and its subsidiaries require almost 2,000 Québec suppliers. In 2015, la Caisse and its subsidiaries spent a total of $735 million in Québec.

As stipulated in its Policy on Contracts for the Acquisition or Leasing of Goods and Services, la Caisse favours Québec suppliers, provided they satisfy its cost and quality criteria.

RESPONSIBLE INVESTMENT

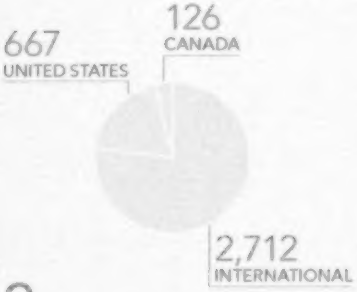
Responsible Investment Report

In 2015, la Caisse carried out many responsible investment activities. They fell under the major components of its policy: include ESG criteria in its analysis of actively managed investments, shareholder engagement, and other related activities. For *a detailed description of our approach and policy, please consult the Caisse website.*

HIGHLIGHTS

1

In 2015, la Caisse voted on 38,743 proposals in connection with 3,505 shareholder meetings.



2

La Caisse's shareholder engagement was mainly in Canadian companies and companies in the Global Quality Equity portfolio.

3

La Caisse organized a conference on long-term investment from a responsible investment perspective.

INTEGRATION OF ESG CRITERIA

Integrating environmental, social and governance (ESG) criteria in the various asset classes is important because la Caisse is a long-term investor. When la Caisse makes an active-management decision, these factors are reviewed as part of a comprehensive analysis of the investment. La Caisse is actively improving its processes and, more generally, promotes responsible investment and the use of ESG criteria in the investment community.

Examples of actions taken by la Caisse in 2015

- Developed an analytical tool on carbon risk for the public equity portfolio. This tool highlights a company's vulnerability and resilience to the risks associated with climate change. Approximately 50 companies were specifically analyzed using this tool.
- Developed a fundamental analysis model that draws up an ESG profile for each new investment in public companies, corporate debt securities and certain private investments.
- Participated in a Principles for Responsible Investment (PRI) initiative to encourage stock exchanges around the world to adopt an ESG accountability model for listed companies.

- Organized an annual conference on long-term investment from a responsible investment perspective. The conference brought together approximately 115 representatives of institutional investors, asset managers and listed companies from Quebec, Canada and Europe.
- Participated in Québec's FSI (Finance and Sustainability Initiative)-PRI Competition and Scholarship for the Best Research on Responsible Investment.

SHAREHOLDER ENGAGEMENT

La Caisse's shareholder engagement takes different forms:

- Advocacy involving businesses, alone or in collaboration with other investors;
- The exercise of voting rights at shareholder meetings and participation in consultations held by Canadian securities authorities;
- In 2015, la Caisse carried out a total of 46 shareholder engagement initiatives, most of which involved Canadian companies or companies in the Global Quality Equity portfolio.

Shareholder engagement topics

Compensation program and advisory votes

La Caisse believes executive compensation should be aligned with a company's results, so it reviews compensation programs as a function of such factors, in particular as the link between compensation and the company's performance.

Examples of actions taken by la Caisse in 2015

- Held meetings with officers and directors to discuss compensation programs, comparisons of such programs with those of peers in the same industry, advisory votes and the granting of special bonuses.
- Participated in meetings organized by the Canadian Coalition for Good Governance with board members of certain Canadian companies.
- Signed a letter along with Canadian institutional investors and sent to securities authorities, requiring that advisory votes on executive compensation be made mandatory.
- Was actively involved in consultations conducted by compensation experts on best practices.

Shareholder engagement – Environmental and social issues

Environmental and social issues are important because they may have financial consequences for a company and its shareholders and may also affect its reputation. In addition, issues concerning climate change and greenhouse gas emissions are playing an increasingly larger role.

Examples of actions taken by la Caisse in 2015

- Supported 41 shareholder proposals on environmental subjects, including 19 on climate change and 22 on the environment and sustainable development reports.
- Supported the shareholder proposal, presented at the shareholder meetings of Royal Dutch Shell and BP, to require more information on climate change.
- Visited Royal Dutch Shell's Carbon Capture Storage project for CO_2 emissions in Alberta, and engaged the company in a dialogue on climate change.
- Analyzed and integrated a company's carbon emissions, when the data is available, into the ESG profiles for investments in the portfolio.
- Implemented a tool for detailed analysis of carbon risk for the Canadian Equity portfolio.

Responsible Investment Report

- Co-signed, with our Canadian peers, a letter to the federal government to encourage it to adopt a stronger policy on climate change.
- Participated in a working group made up of many investors to discuss the methodology used to calculate a portfolio's carbon footprint.
- Published the list of la Caisse's low-carbon investments on the Low Carbon Investment Registry site, an initiative of the Global Investor Coalition on Climate Change.
- Supported the Carbon Disclosure Project, which sends companies a questionnaire for them to disclose information on their approach to managing climate change and greenhouse gas emissions.
- Participated in the CDP Water Disclosure Project, an initiative that underscores the importance of water and addresses the issue through discussion with companies.
- Supported the Extractive Industries Transparency Initiative (EITI), an organization that fights corruption by encouraging countries at greater risk to implement measures that ensure openness and accountable management of revenues from natural resources.

Shareholder engagement – Governance

La Caisse carefully reviews governance issues so that it can take action when companies fail to adopt best practices, whether such practices involve the composition of the board of directors and its committees, its diversity, the annual election of directors or the share capital structure.

Examples of actions taken by la Caisse in 2015

- Participated in the Public Policy Committee of the Canadian Coalition for Good Governance, which develops the organization's public positions.
- Carried out a study on the representation of women on boards of directors of Canadian public companies.
- Took part in the regulatory authorities' review of the proxy voting infrastructure.

Shareholder engagement – Growth markets

Shareholder engagement in growth markets presents challenges, especially because of geography and cultural differences.

La Caisse has therefore given a mandate to a specialized firm to help it carry out shareholder engagement activities in these markets.

In 2015, a dialogue was established with more than 60 companies in growth markets. The main subjects discussed with the companies involved environmental, social and governance issues.

Shareholder engagement – Exercising proxy voting rights

La Caisse exercises its voting rights at the shareholder meetings of the companies it holds in accordance with its policy on exercising voting rights.

- As at December 31, 2015, la Caisse had exercised its voting rights in 3,505 shareholder meetings, representing 38,743 resolutions. These votes can be broken down as follows: 126 shareholder meetings of Canadian companies, 667 from the U.S. and 2,712 from outside North America.
- Out of all the votes, 11.5% were against management proposals. The main subjects concerning positions conflicting with the management of companies are compensation programs (e.g. Microsoft, Ryder System, Halliburton, Ralph Lauren), the advisory vote on compensation (e.g. Magna International, Valeant, Lions Gate Entertainment) and the election of non-independent directors (e.g. Rogers Communication, Devon Energy Corporation, Gap).
- Furthermore, la Caisse generally relies on the proposals submitted by shareholders when they are appropriate for the company. These proposals concern the possibility of allowing shareholders to propose candidates for the position of director (e.g. Apple, eBay, Walgreens), the company's obligation to disclose information on the reduction of greenhouse gases (e.g. AGL Resources, Dominion Resources) and the financial risks related to climate change (e.g. Consol Oil, Chesapeake Energy). La Caisse's votes are public and can be consulted on its website.

Other engagement activities

La Caisse also conducts engagement activities of greater scope than those involving specific themes or dialogue with companies. It collaborates on responsible-investment matters with various stakeholders and intends to pursue its activities and contribute to the advancement of and education on responsible investment.

Examples of actions taken by la Caisse in 2015

- Signed, with other investors, a letter sent to many stock exchanges around the world encouraging them to adopt an ESG disclosure document for listed companies.
- Participated in a task force formed of PRI signatories on sustainable stock exchanges.
- Participated in the Investors Stewardship Committee of the Pension Investment Association of Canada (PIAC) to raise awareness among the members of this association and inform them about various issues and developments in governance and responsible investment.

Sustainable Development Report

2012-2015 ACTION PLAN

Since adopting its sustainable development plan in 2009, la Caisse has deployed numerous activities. For the period from 2012 to 2015, the plan had 11 different actions organized around several major objectives. A new plan will be adopted in March 2016, aligned with the government's new strategy. La Caisse's actions in 2015 are presented in this section, which serves as a formal accounting of the institution's achievements.

OBJECTIVE / PROMOTE THE CONCEPT AND PRINCIPLES OF SUSTAINABLE DEVELOPMENT

ACTION

Provide Caisse employees with sustainable development information and training

- 93% of new employees took the online training offered by la Caisse on sustainable development.
- Ivanhoé Cambridge presented its corporate social responsibility approach to close to 200 employees in various regions.
- Several activities organized on Earth Day at Centre CDP Capital to raise awareness among employees about sustainable development.

OBJECTIVE / DEVELOP A PREVENTION CULTURE AND CONDITIONS FAVOURABLE TO HEALTH, SAFETY AND THE ENVIRONMENT

ACTION

Continue to improve working conditions that foster employee health and safety

- Full implementation of measures to ensure that employees travelling for business can be located and contacted quickly.
- New emergency assistance services made available 24/7 to respond to any logistical, health or safety need of employees travelling for business or posted abroad.

OBJECTIVE / ENCOURAGE RESPONSIBLE PROCUREMENT AND SOUND ENVIRONMENTAL MANAGEMENT

ACTION

Continue environmental management

- 87.5% of the properties owned and managed by Ivanhoé Cambridge have composting programs.
- LEED certification obtained for the World Trade Centre Montréal.
- Among the Ivanhoé Cambridge properties in Québec, 94% have BOMA BESt certification and 44% of the office buildings have LEED certification.
- Charging stations for electric vehicles available in eight Ivanhoé Cambridge properties in Québec. The number of times cars were charged at these stations jumped 78.5% in 2015, to over 4,200 charges.
- Two charging stations at Centre CDP Capital were reserved for vehicles in the Téo Taxi fleet, an electric taxi company.

OBJECTIVE / CONSERVE AND SHOWCASE QUÉBEC'S HERITAGE

ACTIONS

Continue to showcase cultural heritage

- Ten guided tours of la Caisse's art collection and two contemporary art education activities provided to external groups and employees.
- Exhibition on the history of la Caisse at Centre CDP Capital on the occasion of its 50th anniversary.

Continue to enhance architectural heritage

- Continued Ivanhoé Cambridge's partnership with the McCord Museum for a mobile application on buildings in urban areas.
- Continued Ivanhoé Cambridge's partnership with Héritage Montréal for activities to promote the city's architectural heritage.

OBJECTIVE / FIGHT SOCIAL INEQUALITY

ACTION

Encourage employees to support philanthropic causes

- The program designed to encourage employees to engage in community action was continued.
- Group volunteer activities were held, including Opération Père Noël, Herstreet and the CHU Sainte-Justine Foundation.
- Since 2014, 32 twinning arrangements were established, in collaboration with Bénévoles d'affaires, for Caisse employees willing to serve on the boards of directors or working committees of community organizations.
- 245 employees took part in the Ride for Juvenile Diabetes Research and raised $105,000 for the Juvenile Diabetes Research Foundation.
- Campaign to raise awareness about four programs that encourage Ivanhoé Cambridge employees to get involved in their communities.
- La Caisse and Ivanhoé Cambridge took part in the annual Centraide/United Way Canada fundraising campaign.

OBJECTIVE / NURTURE A NEW GENERATION OF FINANCE PROFESSIONALS

ACTIONS

Develop the next generation of financial leaders

- Hiring of 16 interns in 2015, for a total of 73 since 2011, 14 of whom subsequently obtained positions at la Caisse.
- Continued partnerships between la Caisse and associations that promote the next generation of professionals, such as the Association des femmes en finance du Québec and the Jeune chambre de commerce de Montréal.
- Awarded the first Québec FSI-PRI Scholarship, an initiative for which la Caisse is one of the main partners. The scholarship recognizes the best graduate-level research on responsible investment.

Promote the visibility and representation of women in finance

- More women hired in 2015, across the board, including in investment positions.
- New approach to raising awareness among team leaders on the visibility and representation of women in finance.
- Continued partnership between la Caisse and the Association des femmes en finance du Québec for a mentoring program.
- New partnership between la Caisse and HEC Montréal to support women studying in finance through scholarships, internships and exchanges with women in investment positions.
- New partnership between la Caisse and the Groupe Millésime to expand the pool of female candidates for intern analyst positions.

Compliance

The compliance activities of la Caisse include oversight to ensure adherence to the depositors' investment policies and the portfolios' investment policies, as well as to the Code of Ethics and Professional Conduct.

HIGHLIGHTS

1

A review of the compliance monitoring process was conducted following the work done to consolidate the public equity portfolios.

2

Various activities continued to raise employee awareness of the Code of Ethics and Professional Conduct.

INVESTMENT POLICIES

Compliance programs are in place to certify compliance with the depositors' investment policies and the investment policies of la Caisse's portfolios. In 2015, a review of the compliance monitoring processes for these policies was conducted as part of the consolidation of the public equity portfolios. As a result, a certificate of compliance with the major equity market management mandates will be integrated into the certificate of compliance with the investment policy of this specialized portfolio. Certificates of compliance with these policies were issued to depositors twice in 2015, as of June 30 and December 31.

CODE OF ETHICS AND PROFESSIONAL CONDUCT

It is essential that Caisse employees and officers comply with its Code of Ethics and Professional Conduct. At the beginning of each year, all employees must complete declarations on compliance with the Code and the holdings in their personal portfolios. They are also obliged to report any situation where they have reason to believe there has been a breach of the Code or any Caisse policy. In 2015, la Caisse put in place several activities to make employees aware of various aspects of the Code, as well as specific training on preventing and detecting fraud and corruption. Furthermore, articles on ethics were published in the internal employee newsletter throughout the year to remind them of appropriate behaviour to adopt in situations involving ethics and professional conduct.

The Code of Ethics and Professional Conduct for Officers and Employees is available on the Caisse's website (www.cdpq.com), under the Governance tab.

ACCESS TO INFORMATION

La Caisse processes requests for access to documents in accordance with the Act respecting access to documents held by public bodies and the protection of personal information (the Access Act). In 2015, la Caisse processed 17 requests for document access. All of the requests were handled within the legally prescribed time limit. Of the 17 requests, 14 were accepted, 1 was accepted in part, 1 was referred to another entity and 1 was refused. They concerned amounts spent on donations and sponsorships, contracts with IT consultants and external resources, documents on certain specific investments, the compensation of senior management and records of the Board's deliberations. No request was subject to an application for review by the Commission d'accès à l'information. La Caisse's responses are available on its website.

Lastly, in accordance with the Regulation respecting the distribution of information and the protection of personal information, la Caisse publicly posts on its website the specific information covered by this regulation: leases, training contracts, advertising and promotion contracts, mobile telecommunications contracts, training expenses, total travel expenses, and the CEO's travel expenses, official expenses and executive vehicle expenses.

LANGUAGE POLICY

La Caisse complies with the requirements of the Charter of the French Language and its Language Policy, which stipulates French as the daily language of work for all employees in its offices in Québec. It considers the quality and use of French in its spoken and written communications to be of paramount importance.

To this end, it provides its employees with various useful tools that contribute to correct French usage, as well as a number of reference works, including a lexicon that it compiled to define terms specific to its investment activities.

In 2015, the internal employee newsletter regularly published articles on the proper use of expressions and idioms. The articles also encouraged employees to use the tools and references available on the website of the Office québécois de la langue française, as well as the other language tools available to them.

In 2015, la Caisse again took part in the Francofête festivities held by the Office québécois de la langue française from March 16 to 29. The event featured initiatives such as quizzes and articles on the quality and use of French. The second edition of the Dictée de la Caisse took place in November 2015, as part of the initiatives to make employees more aware of the quality of French in the workplace.

The Language Committee met twice in 2015. The committee is made up of key persons from various units of the organization.

COMPLAINT MANAGEMENT

La Caisse has designated Me Ginette Depelteau, Senior Vice-President, Compliance and Responsible Investment, to receive complaints and analyze them with all due attention. Complaints may be addressed to her by phone (514 847-5901), fax (514 281-9334) or e-mail (gestiondesplaintes@cdpq.com).

REPORTS OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES

Board of Directors' Report

HIGHLIGHTS

1

Reviewed, with senior management, various economic and financial scenarios that could influence future changes to la Caisse's strategy.

2

Reviewed and approved strategic priorities for 2016-2019 for each investment group and each administrative group at la Caisse.

THE BOARD OF DIRECTORS

MANDATE

The mandate of the Board of Directors includes ensuring that la Caisse is managed in compliance with the provisions of its incorporating Act and regulations and that it takes the necessary steps to attain the objectives stated in its mission.

For a full description of the mandate of the Board of Directors, please consult the Governance section of the Caisse website (www.cdpq.com).

COMPOSITION

As at December 31, 2015, the Board consisted of 14 members out of a maximum of 15. In 2015, the Québec government, after having consulted with the Board, appointed two new members to the Board: Norman Johnston, then President and Chief Executive Officer of the Régie des rentes du Québec, became a non-independent member and Bertrand Cesvet, Chairman of the Board and Senior Partner of Sid Lee, became an independent member.

DIRECTOR COMPENSATION

The compensation of la Caisse's directors, other than the Chair and the President and Chief Executive Officer, is determined by an order-in-council of the Government of Québec. Their compensation for 2015 is provided in Table 34 on page 87. The directors are also entitled to be reimbursed for their travel and living expenses.

COMPENSATION OF THE CHAIR OF THE BOARD

The annual compensation of the Chair of the Board is set at $195,000 by an order-in-council of the Government of Québec. The Chair is also entitled to be reimbursed for representation expenses related to the duties of his position, to a maximum of $15,000 a year.

TABLE 33

DIRECTOR ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2015[1]

Directors	Board of Directors		Audit Committee	Investment and Risk Management Committee		Human Resources Committee		Governance and Ethics Committee
	7 reg.	7 spec.	6 reg.	6 reg.	1 spec.	7 reg.	1 spec.	6 reg.
Elisabetta Bigsby	7	5	–	6	–	7	1	–
Bertrand Cesvet	5/5	4/6	–	–	–	–	–	–
Patricia Curadeau-Grou	7	6	–	5	1	–	–	–
Michèle Desjardins	7	6	–	–	–	7	–	6
Rita Dionne-Marsolais	7	6	6	–	–	–	–	6
Gilles Godbout	7	7	5	6	1	–	–	–
Norman Johnston	5/5	3/6	–	–	–	–	–	–
François Joly	7	6	6	6	1	7	1	–
Jean La Couture	6	7	–	5	1	–	–	–
Diane Lemieux	7	7	–	–	–	–	–	–
François R. Roy	7	7	6	6	1	–	–	–
Michael Sabia	7	7	–	–	–	–	–	–
Ouma Sananikone	7	5	–	–	–	7	1	5
Robert Tessier	7	7	–	–	–	7	1	6

1. Directors justify their absences from regular meetings of a Committee or the Board to la Caisse's Secretariat. During 2015, directors were not able to attend certain meetings, due mainly to health reasons or to obligations related to family or work commitments.

TABLE 34

COMPENSATION PAID TO INDEPENDENT DIRECTORS UNDER ORDER-IN-COUNCIL[1]

(in dollars)

Directors	Annual compensation	Compensation as Committee Chair	Attendance fees	Total compensation
Elisabetta Bigsby	18,245	5,702	21,389	45,336
Bertrand Cesvet	13,417	–	7,713	21,130
Patricia Curadeau-Grou	18,245	–	14,982	33,227
Michèle Desjardins	18,245	–	21,390	39,635
Rita Dionne-Marsolais	18,245	–	17,396	35,641
Gilles Godbout	18,245	–	14,012	32,257
François Joly[2]	18,245	5,702	30,785	54,732
Jean La Couture	18,245	5,702	14,550	38,497
François R. Roy	18,245	–	21,389	39,634
Ouma Sananikone	18,245	5,702	20,536	44,483
Total				**384,572**

1. In accordance with the terms of the Order-in-Council:
   a. A 1% increase was applied on April 1, 2015 to the annual compensation, the Committee Chairs' compensation and the attendance fees.
   b. The attendance fee for each special or short Board or Committee meeting, held by conference call, is half of the attendance fee allowed for a regular meeting.
   c. Members who are retired from the public sector receive total reduced compensation.
2. This director received attendance fees for attending an Audit Committee meeting of la Caisse's real estate subsidiaries.

Board of Directors' Report

ACTIVITY REPORT

Strategic directions

In 2015, la Caisse continued to pursue the strategic orientations previously adopted by the Board. These orientations, intended to generate stable returns over the long term, are focused, among other things, on increased benchmark-agnostic management, investing in assets tied to the real economy, the impact of our investment strategies in Québec, and la Caisse's increased footprint in growth markets. Accordingly, the Board did the following:

- alongside senior management, regularly monitored the results and risks associated with the strategies, at each step in their deployment;
- reviewed, with management, various economic and financial scenarios that may influence the evolution of la Caisse's strategy;
- reviewed and approved, in line with the previous plan, the strategic priorities for 2016-2019 of each investment group and each administrative group at la Caisse, as well as their accountability;
- supported management in obtaining approval from Québec's National Assembly for the implementation of CDPQ Infra;
- monitored the deployment of benchmark-agnostic management of public equity investments.

Business plan

The Board adopted la Caisse's business plan and annual budget and received regular progress reports from senior management.

Financial results, internal controls and management systems

With assistance from the Audit Committee, the Board fulfilled its responsibilities with respect to financial results and internal controls, notably by:

- reviewing the quarterly financial statements and approving the consolidated financial statements as at June 30 and December 31;
- evaluating the integrity of all controls applied to data used to prepare the financial statements and related notes;
- reviewing the returns of the investment units and approving the news release announcing the annual financial results and the semi-annual update;
- reviewing and approving la Caisse's annual report;
- approving the review of the Internal Control Policy, the Policy on Contracts for the Acquisition or Leasing of Goods and Services, and the Treasury Policy.

See the Report of the Audit Committee on page 90 for more information on the responsibilities discharged by the Committee and the Board.

Investment and risk management

Assisted by the Investment and Risk Management Committee, the Board ensured that an effective and rigorous risk management framework and the related processes were applied throughout the year. As such, the Board:

- approved, on the Committee's recommendation, investment proposals under its authority, taking into account the impact of each one on the level and concentration of risk of the specialized portfolio in question and of la Caisse's overall portfolio;
- approved changes to the investment policies of certain specialized portfolios and to the Integrated Risk Management Policy recommended by the Committee;
- monitored and evaluated risk management processes for a more forward-looking alignment of risk and return issues with la Caisse's evolving strategies.

For all the activities of the Board and the Investment and Risk Management Committee, see the Report of the Investment and Risk Management Committee on page 111.

Corporate governance

The Board met in the absence of members of senior management and held discussions with the President and Chief Executive Officer in the absence of other members of senior management. It also received an activity report from each committee at each meeting, so that it could review and express an opinion on their recommendations. The Committee also:

- evaluated its own operations and that of its committees as well as the performance of each chair;
- reviewed la Caisse's Code of Ethics and Professional Conduct for Officers and Employees and approved the code applicable to employees of CDPQ Infra.

See the Report of the Governance and Ethics Committee on page 93 for more information on the responsibilities discharged by the Committee and the Board regarding governance and ethics.

Supervision of senior management and human resources management

With assistance from the Human Resources Committee, the Board approved the President and Chief Executive's detailed objectives for 2015. The Board also reviewed his performance based on objectives set at the beginning of the year.

The Board also reviewed the President and Chief Executive Officer's performance evaluations of senior management and reviewed the succession plans for them and for the President and Chief Executive Officer. It approved the salary conditions and the level of incentive compensation to be paid to senior management and, more generally, to all employees.

On the Committee's recommendation, the Board approved Frédérick Charette's transfer from Executive Vice-President, Talent Management and Organizational Development to his new position as Managing Director, Private Equity and Infrastructure. The Board also approved the transfer of the Talent Management and Organizational Development group under the leadership of the Chief Financial Officer. Lastly, the Board approved the creation of the Business Outreach group under the responsibility of Michèle Boisvert and the appointment of Ani Castonguay as head of Public Affairs.

See the Report of the Human Resources Committee on page 95 for more information on the responsibilities discharged by the Committee and the Board.

Report of the Audit Committee

HIGHLIGHTS

1

Reviewed and monitored preparation of the financial statements.

2

Monitored and analyzed the effects of all activities to ensure optimal use of resources.

3

Recommended that the Board review the Internal Control Policy and the Policy on Contracts for the Acquisition or Leasing of Goods and Services.

THE AUDIT COMMITTEE

MANDATE

The Audit Committee sees that the financial statements accurately reflect the institution's financial position. It also ensures that la Caisse has adequate and effective internal control mechanisms and a risk management process.

For a full description of the Audit Committee's mandate, please consult the Governance section of the Caisse website (www.cdpq.com).

The mandates of the Committee and its Chair were reviewed in 2015.

COMPOSITION (as at December 31, 2015)

The Committee consisted of four independent members, including professionals with accounting or financial expertise as well as the experience and knowledge required to read and understand financial statements and to fulfill their roles properly.

- Chair: François Joly (guest member at meetings of the Investment and Risk Management Committee)
- Members: Rita Dionne-Marsolais, Gilles Godbout and François R. Roy

The Chairman of the Board attends the Committee meetings.

ACTIVITY REPORT

Number of meetings in 2015: 6

Financial reporting

In 2015, the Committee fulfilled its financial reporting responsibilities which included the following:

- Reviewed various aspects of the financial statements with the Finance group and the co-auditors: the Auditor General of Québec and Ernst & Young, including:
  - the process used to prepare financial statements;
  - the valuation of investments;
  - the notional amount of derivative financial instruments;
  - treasury items, including liquidity, leverage and financing;
  - the confirmation that an audit of returns has been performed by an external firm to ensure that their calculation and presentation complies with industry standards.

- Reviewed the report on the financial certification process that enables the President and Chief Executive Officer and the Chief Financial Officer to certify publicly that the disclosure controls and procedures and the internal financial reporting controls are adequate and effective.
- Recommended that the Board adopt the annual financial statements.
- Reviewed preparatory work on the Annual Report and the news releases announcing la Caisse's financial results.
- Arranged for the Chair of the Audit Committee to attend meetings of the real estate subsidiaries' audit committees and reviewed the committees' annual activity reports.
- Discussed the audit report with the co-auditors following their year-end audit.
- Reviewed the quarterly financial statements, budget monitoring reports, operating expenses and year-end budget estimates.
- Discussed with the co-auditors their plan for auditing la Caisse's financial statements.
- Discussed with Ernst & Young its internal quality-control procedures.
- Monitored the External Auditor Independence Policy and approved Ernst & Young's audit fees.
- Held regular discussions with the Executive Vice-President and Chief Financial Officer in the absence of other members of senior management.
- Met regularly with the co-auditors to discuss various aspects of their mandate without the presence of senior management.
- Evaluated the work of the co-auditors and discussed results of the evaluation with them.

Internal audit

In 2015, the Committee also carried out the following activities with the Internal Audit group:

- Reviewed and approved the 2015-2017 Internal Audit Plan.
- Reviewed Internal Audit's progress reports prepared under the Internal Audit Plan to address such matters as internal control mechanisms, risk management processes and optimal use of resources.
- Monitored the implementation of Internal Audit's recommendations by Caisse senior management.
- Reviewed status reports on internal audits at the real estate subsidiaries.
- Reviewed the results of the institution's continuous audit program.
- Ensured that the Internal Audit team was able to act independently from Caisse senior management.
- Held periodic discussions with the Vice-President, Internal Audit, without the presence of senior management.

Report of the Audit Committee

Internal controls and plan for the optimal use of resources

The Committee reviewed many aspects of internal controls and optimal use of resources in 2015. It carried out the following activities:

- Reviewed and recommended to the Board for approval adjustments to the Internal Control Policy and to the Policy on Contracts for the Acquisition or Leasing of Goods and Services.
- Reviewed the results from work to assess the design and effectiveness of internal financial reporting controls and disclosure controls and procedures, including those of the real estate subsidiaries.
- Reviewed the report on collateral management at la Caisse and the amendments to the treasury policy proposed to the Board of Directors for approval.
- Reviewed the report on management of the notional amounts of derivative financial instruments.
- Monitored and analyzed the effects of all activities to ensure optimal use of resources.

Risk management

The Investment and Risk Management Committee helped the Audit Committee fulfill its duty to implement a risk management process. The Committee therefore carried out the following activities to monitor all investment and risk management work:

- Discussed with the Executive Vice-President who heads Legal Affairs and Compliance:
  - reports on compliance with the Act respecting the Caisse, depositors' investment policies and the specialized portfolios' investment policies;
  - reports on legal proceedings involving la Caisse or its real estate subsidiaries.
- Received copies of the Investment and Risk Management Committee's minutes of meetings.
- Arranged for the Chair of the Audit Committee to attend the meetings of the Investment and Risk Management Committee.

USE OF EXTERNAL EXPERTS

The Audit Committee did not use the services of external experts in 2015. Even so, it endorsed senior management's use of external firms for an independent review of the fair value of certain investments.

Report of the Governance and Ethics Committee

HIGHLIGHTS

1

Reviewed the Code of Ethics and Professional Conduct for Directors and the Code of Ethics and Professional Conduct for Officers and Employees.

2

Reviewed the responsibilities described in the mandates of the Board and each of its committees, as well as the mandates of their respective chairs and the President and Chief Executive Officer.

GOVERNANCE AND ETHICS COMMITTEE

MANDATE

The Governance and Ethics Committee ensures that la Caisse adheres to the highest standards of governance and ethics. For a full description of the Governance and Ethics Committee's mandate, please consult the Governance section of the Caisse website (www.cdpq.com).

COMPOSITION (as at December 31, 2015)

Four independent members:

- Chair: Ouma Sananikone
- Members: Michèle Desjardins, Rita Dionne-Marsolais and Robert Tessier

ACTIVITY REPORT

Number of meetings in 2015: 6

Composition of the Board and its committees

- Reviewed the composition of the Board and recommended the renewal of the mandate of an independent member as well as the appointment of an independent director and a non-independent director.

Report of the Governance and Ethics Committee

Activities of the Board and its committees

- Reviewed the responsibilities described in the mandates of the Board and each of its committees as well as the mandates of their respective chairs and the Chief Executive Officer and recommended changes where appropriate.
- Reviewed the performance evaluation process used for the Board, its Chairman, the committees and their chairs, including directors' self-assessments; analyzed the results and made recommendations to improve certain processes, as necessary.
- Discussed the efficiency of the evaluation process applicable to the Board and its committees and the governance practices associated with this matter.
- Obtained assurance that the Board had all the information and time required to analyze issues affecting la Caisse.
- Verified throughout the year that discussion sessions are held in each committee and by the Board without the presence of senior management.
- Reviewed a program involving presentations and discussions outside the formal framework of Board meetings, to allow directors to discuss matters among themselves and with senior management.

Rules of ethics and professional conduct

Regarding rules of ethics and professional conduct, the Committee's activities included the following:

- Reviewed the Codes of Ethics and Professional Conduct for Officers and Employees of the Caisse and of its subsidiary CDPQ Infra and recommended changes.
- Reviewed the Code of Ethics and Professional Conduct for Directors of the Caisse and the directive on refunding their travel and living expenses and recommended changes.
- Reviewed the rules on declarations of interests, verified that the declarations complied with the provisions in effect and transmitted the declarations to the authorities designated under the Act respecting the Caisse.
- Reviewed the report on the application of the rules of ethics and professional conduct at la Caisse.
- Reviewed the directive on transactions involving securities of companies having ties with Caisse directors and received reports on this subject.

Caisse

- Reviewed the Policy on Responsible Investment and recommended that it be approved by the Board.
- Reviewed the report on donations and sponsorships provided by la Caisse during the year and reviewed the annual budget for such activities.
- Reviewed the report on the representation of women on the boards of directors of Canadian public companies.
- Reviewed the report on amendments to the provisions of the Act respecting the Caisse.
- Reviewed the process for appointing members to the boards of directors of certain private companies in which la Caisse invests.

USE OF EXTERNAL EXPERTS

The Governance and Ethics Committee did not use the services of external experts in 2015.

Report of the Human Resources Committee

HIGHLIGHTS

1

Approved the compensation structure of the employees of the subsidiary CDPQ Infra.

2

Reviewed and discussed the redesign of the performance management program and of the succession development strategy.

3

Reviewed and discussed the strategy and action plan to increase gender diversity.

HUMAN RESOURCES COMMITTEE

MANDATE

The mandate of the Human Resources Committee is to review the orientations and strategies used by la Caisse to manage its human resources, including performance evaluation, succession planning and executive compensation, as well as its general human resources practices.

For a full description of the mandate of the Human Resources Committee, please consult the Governance section of the Caisse website (www.cdpq.com). The mandate of the Committee and of its Chair were reviewed in 2015.

COMPOSITION (as at December 31, 2015)

The Committee is composed of five independent members:

- Chair: Elisabetta Bigsby
- Members: Michèle Desjardins, François Joly, Ouma Sananikone and Robert Tessier

ACTIVITY REPORT

Number of meetings in 2015: 8

President and Chief Executive Officer

The Committee reviewed Mr. Sabia's objectives for 2015 as President and Chief Executive Officer and recommended that the Board of Directors approve them. Furthermore, the Committee reviewed the performance evaluation and total compensation conditions for the President and Chief Executive Officer and recommended them to the Board of Directors for approval.

Report of the Human Resources Committee

Senior management

The Committee reviewed and recommended the following items to the Board of Directors for approval:

- Performance evaluations of members of senior management and determination of their total compensation.
- Succession plan for senior management positions and for the position of President and Chief Executive Officer.
- Transfer of the Talent Management and Organizational Development group under the leadership of the Chief Financial Officer.
- Appointment of the Executive Vice-President, Business Outreach and Senior Vice-President, Public Affairs, both reporting directly to the President and Chief Executive Officer.
- Transfer of the Executive Vice-President, Talent Management and Organizational Development to the position of Managing Director, Private Equity and Infrastructure.

Key strategies and policies for integrated talent management

During 2015, the Committee discussed several key strategies and policies for integrated talent management. To that end, among other things, the Committee:

- Reviewed the employee compensation structure, including base salary and incentive compensation, and recommended it to the Board of Directors for approval.
- Discussed the results of the Pay Equity Review at la Caisse.
- Reviewed the compensation structure of CDPQ Infra's employees and recommended it to the Board of Directors for approval.
- Reviewed the different management indicators, including indicators of performance management, gender diversity at la Caisse and those related to succession development plans.
- Discussed the positioning of total compensation with respect to the performance culture, target returns and benchmark indexes, the business strategy and talent management strategy at la Caisse as well as in relation to the reference markets.

Use of external experts

In exercising their functions, the Board of Directors and its committees may use external experts. In implementing the incentive compensation program, the Committee and the Board used the services of Hugessen Consulting, an independent consulting firm recognized for its expertise in the compensation of pension fund personnel. The Committee takes Hugessen Consulting's recommendations into account but makes its own decisions, which may be based on information other than the firm's recommendations.

COMPENSATION POLICY

Committee's work on compensation

During 2015, the Committee, with advice from Hugessen Consulting, ensured that the Compensation Policy adopted in 2010 would meet its strategic objectives of paying for long-term performance, offering competitive compensation and linking the interests of officers and depositors. The Committee reviewed how la Caisse's compensation policy was applied; it analyzed the proposed incentive compensation and proposals for implementation of co-investment and ensured that the proposals were aligned with compensation policy and market practices.

Accordingly, the Committee analyzed the amount of incentive compensation to be paid under the incentive compensation program and recommended it to the Board for approval.

Moreover, the Committee received an update on compensation market trends with regard to salary reviews. It also discussed the salary conditions of la Caisse's employees for 2016, recommending them to the Board for approval.

Framework

La Caisse's compensation policy was adopted in accordance with Schedule A of the regulation governing the internal management of la Caisse (the Internal Bylaw). This schedule was revised by an order-in-council in 1996 and:

- defines the maximum levels of total employee compensation and the reference markets;
- states that the data reflecting the reference-market profile must be compiled by a recognized independent firm through an annual survey and must be administered and analyzed according to a methodology and rules generally accepted in the field;
- stipulates that la Caisse's payroll must not exceed 100% of the salary-scale midpoint.

Reference markets and compensation levels[1]

For the position of President and Chief Executive Officer, the reference market consists of a sample of eight large Canadian pension funds, as listed in Table 41 on page 106. For this position, total compensation must be between the median and third quartile (75th percentile) of the reference market, depending on whether la Caisse's performance has been average or superior.

For investment-related positions, the Canadian institutional investment market serves as the reference. A representative sample must include institutions, insurance companies, trust companies, pension funds, investment advisors, brokerage firms and fund managers or their counterparts in similar industries. The current sample comprises the 38 organizations listed in Table 39 on page 105. For these positions, total compensation must fall within the upper decile (90th percentile) of the reference market.

For non-investment positions, the Québec market serves as the reference, and must include notably public-sector jobs. It therefore contains a representative sample of large public- and private-sector Québec firms and financial-sector companies. The current sample comprises the 53 organizations listed in Table 40 on page 106. For these positions, total compensation must be within the third quartile (75th percentile) of the reference market.

In 2015, la Caisse retained the services of Towers Watson for benchmarking of its reference markets. The selection criteria used to determine the companies in the reference markets include size, industry and companies that recruit talent similar to the profiles sought by la Caisse, that offer innovative and diverse investment products, that are recognized for best practices in human resources, that have a performance-driven culture and that are included in the Towers Watson database.

Strategic objectives of the Compensation Policy

La Caisse must rely on highly skilled employees to fulfill its mission, which is to receive moneys on deposit as provided by law and manage them with a view to achieving an optimal return on capital within the framework of depositors' investment policies, while at the same time contributing to Québec's economic development.

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[1] For compensation purposes, the first quartile ranges from the 1st to the 25th percentile, the second quartile from the 26th to the 50th percentile, the third quartile from the 51st to the 75th percentile and the fourth quartile from the 76th to the 100th percentile.

Report of the Human Resources Committee

The total compensation policy therefore has the following three objectives:

1. **Pay for performance:** incentive compensation proportional to the returns delivered to depositors. This goal has four key components:
   - **Long-term focus:** compensate consistent performance over many years.
   - **Risk-return balance:** encourage measured risk-taking conducive to sustainable, long-term returns for depositors, taking into account their risk tolerance.
   - **Overall evaluation:** strike a balance between individual contribution, portfolio and Caisse performance.
   - **Emphasis on la Caisse's overall perspective:** place greater emphasis on employees' contributions to la Caisse's strategic priorities and overall performance, with more focus on leadership and desired behaviours.
2. **Offer competitive compensation:** Attract, motivate and retain employees with experience and expertise that allow la Caisse to attain its strategic objectives, within the guidelines in the Internal Bylaw, as described above.
3. **Link the interests of officers and depositors:** Ensure that their individual and team efforts are conducive to la Caisse's long-term success.

La Caisse's incentive compensation policy complies with the Principles for Sound Compensation Practices issued by the Financial Stability Forum (FSF) and endorsed by the G20 nations: effective compensation governance; alignment of compensation with long-term, measured risk-taking; and regular review of compensation practices.

Components of total compensation

La Caisse's employees receive total compensation based on four components:

1. Base salary
2. Incentive compensation
3. Pension plan
4. Benefits

Base salary

Under the Internal Bylaw, the average base salary must not exceed the salary-scale midpoint. Within these parameters, annual base salaries are set according to the salary conditions prevailing on the reference markets.

Each year, the Human Resources Committee submits the payroll budget to the Board for approval.

FIGURE 35

PERFORMANCE INCENTIVE COMPONENTS

BASED ON ACHIEVEMENT OF INDIVIDUAL OBJECTIVES	⟶	Individual contribution
BASED ON ACHIEVEMENT OF BUSINESS OBJECTIVES OR RETURNS ON THE SPECIALIZED PORTFOLIOS OF EACH UNIT	⟶	Portfolio return or business plan achievement
BASED ON ACHIEVEMENT OF LA CAISSE'S TARGET RETURNS	⟶	Caisse overall return

For 2015, the Board of Directors approved the following recommendations made by la Caisse's senior management:

- Maintain 2014 salary scales for all positions;
- Maintain 2014 salaries for all employees, including senior management.

Incentive compensation

In the investment community, incentive compensation is an essential part of the total compensation package for employees working in the sector because it aligns financial incentives with clients' performance objectives.

Incentive compensation at la Caisse serves to recognize performance, attainment of objectives and contribution to the achievement of strategic orientations. Incentive compensation is an important part of total compensation, so it directly influences the total compensation level and its position relative to the reference market.

The incentive compensation program, introduced in 2010, recognizes consistent performance over a four-year period with incentive compensation and allows a portion of this incentive compensation to be deferred into a co-investment account over a three-year period (see Figure 37, page 102). This mechanism links the interests of officers and depositors by varying these amounts according to the absolute return generated for depositors.

Components of performance incentive compensation

Performance incentive compensation is never guaranteed; it depends on evaluations of performance criteria as established by the incentive compensation program. Accordingly, employees receive performance incentive compensation based on the three components outlined in Figure 35 (see page 98).

Regarding the second component, namely the return on the specialized portfolios, the objective of all the portfolios is to outperform their benchmark indexes. The three less-liquid portfolios, namely Real Estate, Infrastructure and Private Equity, as well as the two liquid portfolios, Global Quality Equity and Canadian Equity, also have a benchmark-agnostic target.

Achievements since 2012

In the four-year period from 2012 to 2015, la Caisse achieved a 10.9% annualized return, generating $81.6 billion in net investment results despite a complex and volatile economic environment.

- This return exceeds that of its benchmark portfolio, which is 10.0%. The difference represents $8.0 billion of value-added.
- Over four years, each of the three asset classes contributed significantly to la Caisse's overall return.
- The Real Estate, Infrastructure, Private Equity and Global Quality Equity portfolios all exceeded their benchmark-agnostic targets.
- Over this period, la Caisse surpassed its depositors' long-term objectives.

In the past four years, la Caisse pursued its investments and commitments in Québec and undertook several initiatives to strengthen its involvement with entrepreneurs in order to contribute to the development and vitality of the economy.

- New investments and commitments totalled $11.2 billion.
- As at December 31, 2015, Caisse assets in Québec stood at $59.7 billion.
- Close to 550 SMEs throughout Québec partnered with la Caisse.

In 2015, la Caisse generated a 9.1% return, representing $20.1 billion in net investment results. This return exceeded by 2.4 percentage points that of its benchmark portfolio, which was 6.7%, representing $5.4 billion of value-added, which occurred only two times in 20 years.

- Depositors' net assets stood at $248.0 billion at year-end.
- Out of the 16 specialized portfolios posted, 15 posted positive results in 2015. In light of the sharp decline of the Canadian market, seriously affected by the decline in oil and materials prices, the Canadian Equity portfolio showed resilience. Accordingly, it outperformed its index, generating $870 million of value-added.

Report of the Human Resources Committee

La Caisse in Québec

La Caisse's strategy in Québec focuses on the following key areas:

1. Growth: work with small, medium-sized and large companies on their growth, acquisition and expansion projects in Québec and globally.
2. Innovation: play an active role alongside Québec companies in their new product and process development, modernization projects, R&D investments, and digital strategy initiatives.
3. Projects with impact: undertake major real estate and infrastructure projects that benefit our clients and the Québec economy.
4. Entrepreneurial initiatives: serve as a catalyst to stimulate entrepreneurship and foster the emergence of future generations of businesses that will further drive the economy.

In 2015, to implement this strategy and maximize its impact on the economy and on businesses, la Caisse:

- made new investments and commitments totalling $2.2 billion;
- furthered the efforts of a number of companies, through investments to create sustainable value, including WSP Global, D-BOX, Manac, Fabritec Group, Agropur Cooperative, IPL, Logistec, Fix Auto, Cirque du Soleil, Lightspeed;
- invested in innovation funds that give access to a pipeline of promising businesses, such as XPNDCROISSANCE and iNovia;
- established the subsidiary CDPQ Infra, operator of infrastructure projects, that is currently studying on a priority basis two electric public transit systems in Montréal;
- through its subsidiary Otéra Capital, granted new loans and refinancing for a total of more than $965 million;
- through its subsidiary Ivanhoé Cambridge, continued to deploy a development plan for downtown Montréal with the creation of an observatory on the top floors of 1, Place Ville Marie, transform Fairmont The Queen Elizabeth hotel and build the Maison Manuvie office building;
- launched the *Devenir entrepreneur* campaign, an entrepreneurship awareness program targeting in particular young people and their networks;
- created Espace CDPQ, aimed at fostering the emergence of a new generation of Québec companies capable of competing in world markets.

Implementation of its investment strategy

Benchmark-agnostic management

La Caisse's investment strategy focuses in particular on a benchmark-agnostic approach aimed at building portfolios based on strong convictions grounded in rigorous analysis of investments, irrespective of benchmark indexes. To this end, major initiatives were undertaken in 2015:

- Increased from 52% to 66% of the portion of net assets managed on a benchmark-agnostic basis, by adopting this management style for the Canadian Equity portfolio;
- Carried out extensive work resulting in the consolidation of the public equity portfolios within a single specialized portfolio, to facilitate more transversal and agile management.

Less-liquid assets

La Caisse continued to pursue a strategy of investing in tangible assets (real estate, infrastructure and private equities), which generate more stable and predictable current yields over the long term.

- Substantial transaction volume in less-liquid assets (acquisitions and dispositions) totalling $33.3 billion in 2015, bringing the weight of the Real Estate, Infrastructure and Private Equity portfolios to 27% of total net assets.
- Defining year for Ivanhoé Cambridge with a transaction volume reaching $18.2 billion, including $12.4 billion in acquisitions and $5.8 billion in dispositions.

Global footprint

In line with its investment strategies, la Caisse increased its exposure outside Canada to diversify its portfolio and capitalize further on global growth:

- Exposure to global markets grew in all asset classes, from 47% in 2014 to 54% at the end of 2015.
- With major investments in New York, Chicago, Los Angeles, Boston, Denver and Seattle, Ivanhoé Cambridge became one of the leading foreign institutional investors in the office sector in the United States, in addition to becoming the seventh largest property owner in Manhattan.
- Developed new partnerships in growth markets, in Mexico and Asia.
- Opened subsidiaries in Sydney and in Mexico City.

In-depth expertise, processes and talent

In 2015, la Caisse focused on agility and organizational performance, including initiatives to:

- Continue strengthening its ability to research and analyze economic and financial trends, and adapt its risk management to its evolving investment strategies:
    - work on various transversal themes, including inflation, risk premiums, investment cycle management and optimal allocation in public equity;
    - improve monitoring processes, methodologies and risk management tools;
    - maintain an adequate level of liquidity.
- Deploy impactful initiatives to improve strategic and operational agility:
    - perform annual strategic investment planning, integrating a process for transversal reviews of various strategies;
    - emphasize the strategic role of governance related to strategic management of investments, including risks;
    - simplify activities, processes and systems, including optimizing the technology infrastructure program;
    - ensure disciplined management of operating expenses, with an expense ratio of 18.0 cents per $100 of average net assets, a level that compares favourably to that of its industry.
- Launch or complete several talent management projects:
    - continuing training provided to our employees to develop their competencies and their leadership;
    - redesign the employee performance management program;
    - program designed to increase gender diversity in the different Caisse units.

Performance incentive compensation for 2015

Taking into account incentive compensation paid and deferred, employees' total compensation in 2015 was below the median of the reference markets, for an annualized return of 10.9% over the four-year period from 2012 to 2015. This represents $8.0 billion of value-added, over and above the benchmark portfolio, equivalent to a superior performance over four years.

TABLE 36

POSITIONING OF TOTAL COMPENSATION BY POSITION TYPE

Position type	Maximum total compensation under the Bylaw[1]	Average positioning of the total compensation paid in 2015 relative to reference markets under the Bylaw
Investment positions	90th percentile	Between the 18th and 64th percentile and, on average, in the 36rd percentile
Non-investment positions	75th percentile	

[1] Maximum total compensation refers to percentile positions found in Schedule A (revised by government order-in-council in 1996) of the Internal Bylaw.

Report of the Human Resources Committee

More specifically, a study by Towers Watson showed that the employees' total compensation ranked between the 18th and the 64th percentiles (where the 100th percentile represents the highest compensation in the market) of the reference markets, depending on the position type, the specific performance of the portfolios and the compensation paid for these positions (see Table 36, page 101).

The opinion presented by Hugessen Consulting to la Caisse's Board of Directors stated:

"We reviewed la Caisse's returns and benchmark indexes for 2015, as well as the factors that contributed to its return, and we are satisfied with them. We can confirm, among other things, that the value-added calculations, the 2015 return multiples, the 2012-2015 average return multiples and the 2015 incentive compensation multiples are consistent with la Caisse's incentive compensation program. In our opinion, the total amount of incentive compensation awarded under the program in 2015 is reasonable in the prevailing market conditions and given la Caisse's performance in 2012, 2013, 2014 and 2015."

Co-investment: deferred performance incentive compensation

The purpose of co-investment is to better align the interests of those employees with the most influence on la Caisse's organizational and financial performance with the interests of depositors over the long term. The value of the deferred and co-invested performance incentive will vary – upward or downward – along with la Caisse's average absolute overall return during the incentive deferral period.

At the end of each three-year period, the deferred amount, plus or minus the average return credited for the period, will be paid to each participant as a deferred incentive payment with restrictions. Figure 37 illustrates this mechanism.

Members of senior management have three years to contribute at least the equivalent of their base salary to the co-investment account.

For the President and Chief Executive Officer, as well as members of senior management, the minimum threshold of the total incentive compensation that must be deferred in a co-investment account is 55%. For all vice-presidents and senior vice-presidents, as well as for intermediate and senior investment employees, the minimum threshold is 35%. Finally, for managers and high-level professionals, the minimum threshold is 25%.

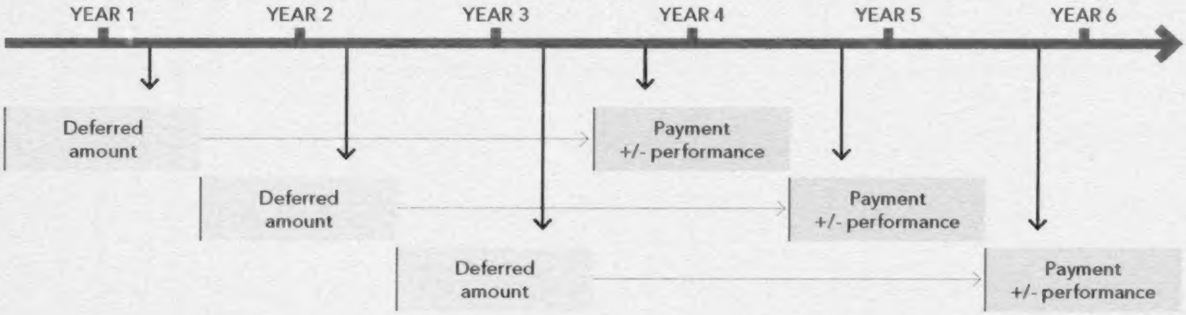
Since 2011, la Caisse has offered such employees the option of deferring and co-investing an additional portion of their incentive compensation into the co-investment account. This voluntary participation increased the deferred and co-invested amounts in 2015 by more than 10%.

Pension plan

Depending on their positions, all employees are members and contribute to one of two defined-benefit pension plans: the Government and Public Employees Retirement Plan or the Pension Plan of Management Personnel (PPMP). In addition, managers and professionals in strategic positions participate in the Régime additionnel de retraite (RAR)

FIGURE 37

DEFERRED AND CO-INVESTED PERFORMANCE INCENTIVES



and members of senior management participate in the Supplemental Pension Plan for Designated Officers (SPPDO). Under both plans, they are entitled, as of the normal age of retirement, to receive a total annual pension equal to 2% of their eligible earnings for each year or fractional year of plan membership, taking into account the annual tax limits imposed by the Canada Revenue Agency for each year they were not RAR or SPPDO members.

Some executives will have additional years of services recognized under the SPPDO, depending on the circumstances of their promotion or hiring.

Benefits

Employees enjoy a range of competitive benefits, including group insurance (such as medical, dental and life insurance). Moreover, executives benefit from perquisites that mainly cover the costs associated with car allowances. La Caisse also requires members of senior management to undergo annual health checkups.

Review of the President and Chief Executive Officer's performance and total compensation

Performance review

At the beginning of 2015, the Committee recommended to the Board for review and approval a series of non-financial individual objectives proposed by the President and Chief Executive Officer. A series of major business objectives were established to achieve targets aligned with la Caisse's strategy and business plan.

The Human Resources Committee evaluated the repositioning of la Caisse's investment portfolio in light of the global economic environment and market conditions, the ongoing improvement of investment decision-making processes, the creation of the subsidiary CDPQ Infra and the study of two major infrastructure projects, as well as the establishment of Espace CDPQ to stimulate entrepreneurship.

At the end of this process, a report was submitted to the Board of Directors stating that the Committee was fully satisfied with the performance of the President and Chief Executive Officer, who had not only attained the objectives he had been given but had also exceeded them by a wide margin. The Board deemed that his performance, which well surpassed expectations, had once again been remarkable.

FIGURE 38

PERFORMANCE INCENTIVE COMPONENTS OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

CAISSE OVERALL RETURN	→	Based on the level of attainment of la Caisse's return objectives
ACHIEVEMENT OF THE ORGANIZATION'S OBJECTIVES	→	Based on the level of attainment of the organization's objectives
INDIVIDUAL CONTRIBUTION	→	Based on the level of attainment of individual objectives

Report of the Human Resources Committee

Review of total compensation

The compensation and the other employment conditions of the President and Chief Executive Officer are based on parameters set by the government after consultation with the Board of Directors.

In accordance with his request, Mr. Sabia has received no salary increase since he was appointed in 2009. In 2015, Mr. Sabia's base salary was unchanged at $500,000.

In 2015, Mr. Sabia received his deferred incentive compensation amount for 2012. The amount of this deferred incentive compensation totalled $939,020 and included the return credited since 2012.

The President and Chief Executive Officer's annual incentive compensation was determined on the basis of the same three components as 2014, presented in Figure 38 (see page 103).

This year, the component linked to la Caisse's overall return corresponds to the return over the four-year period from 2012 to 2015. The annualized return for this period is 10.9%, with $8.0 billion of value-added above the benchmark portfolio. This return represents a superior performance over four years.

As for the component based on the organization's objectives, in the past four years under Mr. Sabia's leadership, la Caisse:

- completely repositioned its investment strategy to generate solid returns with further emphasis on a benchmark-agnostic approach;
- strengthened its presence in Québec through impactful initiatives such as the management of major infrastructure projects and the creation of Espace CDPQ, an entrepreneurial ecosystem dedicated to working with Québec SMEs in the growth, globalization or ownership transfer phase;
- supported international expansion initiatives undertaken by Québec businesses;
- continued to develop and strengthen relationships with its depositors based on collaboration and trust;
- significantly enhanced la Caisse's risk management, in terms of expertise, and methodologies and tools;
- increased la Caisse's global footprint by creating new subsidiaries in Singapore, Washington, Mexico City and Sydney;
- simplified and greatly improved operational efficiency.

In terms of his individual contribution, Mr. Sabia's strong leadership engaged and mobilized la Caisse's teams around a shared vision and objectives as well as remarkable execution.

The Committee and the Board of Directors are of the opinion that Mr. Sabia performed remarkably well, exceeding his objectives by a wide margin.

Like all other members of senior management covered by the incentive compensation program, the President and Chief Executive Officer is required to defer a minimum of 55% of his incentive compensation in a co-investment account. For his having achieved the annual objectives, the Board of Directors paid to Mr. Sabia $1,122,000 of incentive compensation, and he elected to defer an amount of $1,823,000 to the co-investment account. In 2018, Mr. Sabia will be eligible to receive the deferred incentive compensation related to this amount, increased or decreased according to la Caisse's average absolute return over the three-year period, between 2016 and 2018.

The other employment conditions to which Mr. Sabia is entitled are aligned with la Caisse's policies and comply with the parameters set out in the Internal Bylaw. He receives $40,000 in annual perquisites and is a member of la Caisse's Employee Group Insurance Plan.

When he was appointed in 2009, Mr. Sabia waived membership in any pension plan. He also waived any severance pay, regardless of cause. Even so, given that membership in the basic pension plan is mandatory under the provisions of the Pension Plan of Management Personnel (under CARRA rules), Mr. Sabia is obliged to be a member despite his waiver. In 2015, contributions to the mandatory basic plan represented an annual cost to la Caisse of $20,268.

Compensation of the President and Chief Executive Officer and the five most highly compensated executives for 2013-2015

La Caisse's Board of Directors recognizes the importance of qualified leadership and firmly believes that the policies and programs it has endorsed make it possible to:

- offer competitive compensation in a market where competition for talent is intense and where la Caisse must compete globally to generate the expected returns;
- achieve the strategic objectives that enable la Caisse to fulfill its mission.

Pursuant to the Act respecting the Caisse de dépôt et placement du Québec, la Caisse discloses below, for itself and its wholly owned subsidiaries, the compensation of the President and Chief Executive Officer as well as that of the five most highly compensated executives reporting directly to him (see Table 42, p. 107).

TABLE 39

REFERENCE MARKET – INVESTMENT POSITIONS

- Addenda Capital
- Air Canada
- Alberta Investment Management Corporation
- Alberta Pensions Services Corporation
- Alberta Teachers' Retirement Fund Board
- ATB Financial
- BIMCOR
- British Columbia Investment Management Corporation (bcIMC)
- Canada Post
- Canadian Broadcasting Corporation
- Canadian Western Bank
- City of Edmonton
- CN Investment Division
- CPP Investment Board
- Economical Insurance
- FÉRIQUE
- Greystone Managed Investments
- Desjardins Group
- Halifax Regional Municipality Pension Plan
- Healthcare of Ontario Pension Plan (HOOPP)
- Hydro-Québec
- Insurance Corporation of British Columbia
- Intact Investment Management
- NAV CANADA
- Mawer Investment Management
- New Brunswick Investment Management Corporation
- Ontario Municipal Employees Retirement System (OMERS)
- Ontario Teachers' Pension Plan
- OPSEU Pension Trust
- SSQ Financial Group
- Sun Life Financial
- Telus
- The Canadian Medical Protective Association
- The Civil Service Superannuation Board
- The Public Sector Pension Investments Board (PSP Investments)
- Triasima
- Workers' Compensation Board of Alberta
- Workplace Safety and Insurance Board

Report of the Human Resources Committee

TABLE 40

REFERENCE MARKET – NON-INVESTMENT POSITIONS

- Addenda Capital
- Air Canada
- Alcoa Canada
- Amex Canada
- Bank of Montreal
- BCE
- BIMCOR
- Bombardier
- Bombardier Recreational Products (BRP)
- Broadridge Financial Solutions Canada
- Canadian Broadcasting Corporation
- Canadian National Railway Company
- CGI Group
- CIBC Mellon
- CN Investment Division
- COGECO
- Desjardins Group
- Dollarama
- Dundee Corporation
- Gaz Métro
- General Electric Canada
- Gesca
- Home Capital Group
- Hydro-Québec
- IBM Canada
- Intact Financial Corporation
- Intact Investment Management
- Keurig Canada
- Kruger
- Laurentian Bank of Canada
- Loto-Québec
- MasterCard Canada
- McKesson Canada
- Merck Canada
- Molson Coors Canada
- Northbridge Financial Corporation
- Power Corporation of Canada
- Pfizer Canada
- Quebecor
- Rio Tinto Alcan
- SNC-Lavalin Group
- Société des alcools du Québec
- SSQ Financial Group
- Telus
- Tembec
- The Great-West Life Assurance Company
- The Public Sector Pension Investment Board (PSP Investments)
- TMX Group
- Transcontinental
- UAP
- Via Rail Canada
- Videotron
- Yellow Media

TABLE 41

REFERENCE MARKET – PRESIDENT AND CHIEF EXECUTIVE OFFICER

- Alberta Investment Management Corporation
- BIMCOR
- British Columbia Investment Management Corporation (bcIMC)
- CPP Investment Board
- Healthcare of Ontario Pension Plan (HOOPP)
- Ontario Municipal Employees Retirement System (OMERS)
- Ontario Teachers' Pension Plan (OTPP)
- The Public Sector Pension Investment Board (PSP Investments)

TABLE 42

SUMMARY OF THE COMPENSATION OF THE PRESIDENT AND CEO AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES FOR 2013-2015

Name and main position	Fiscal year	Base salary ($)	Incentive compensation paid[1] ($)	Other compensation ($)	Direct compensation[2] ($)	Deferred and paid incentive compensation[3] ($)
Michael Sabia **President and CEO**	2015	500,000	1,122,000	40,000	1,662,000	939,020
	2014	500,000	600,000	40,000	1,140,000	1,058,102
	2013	500,000	600,000	40,000	1,140,000	N/A
Roland Lescure **Executive Vice-President and Chief Investment Officer**	2015	500,000	1,035,000	40,000	1,575,000	617,070
	2014	500,000	619,740	40,000	1,159,740	581,956
	2013	475,000	607,500	30,000	1,112,500	619,389
Andreas Beroutsos **Executive Vice-President, Private Equity and Infrastructure[4]**	2015	640,000	691,000	895,000	2,226,000	N/A
	2014	361,100	382,500	752,270	1,495,870	N/A
Bernard Morency **Executive Vice-President, Depositors, Strategy and Chief Operations Officer**	2015	415,000	700,000	30,000	1,145,000	507,071
	2014	415,000	115,000	30,000	560,000	515,825
	2013	415,000	157,500	30,000	602,500	446,675
Christian Dubé **Executive Vice-President, Québec**	2015	415,000	540,000	30,000	985,000	N/A
	2014	124,500	94,000	8,790	227,290	N/A
Claude Bergeron **Executive Vice-President and Chief Risk Officer**	2015	375,000	248,000	30,000	653,000	358,840
	2014	375,000	210,000	30,000	615,000	363,723
	2013	375,000	254,250	30,000	659,250	387,118

1. As mentioned on page 104 of this Annual Report, under the incentive compensation program, executives must defer a minimum of 55% of their calculated incentive compensation in a co-investment account. In 2015, executives were eligible to receive deferred incentive compensation, increased by the average annual return generated by la Caisse for its depositors during the three-year period. The amounts deferred and co-invested until 2018 in respect of 2015 are as follows: $1,823,000 for Mr. Sabia, $1,415,000 for Mr. Lescure, $844,000 for Mr. Beroutsos, $700,000 for Mr. Dubé and $412,000 for Mr. Bergeron. Exceptionally, Mr. Morency deferred and co-invested $100,000.
2. The value of direct compensation includes salary, annual incentive compensation paid in respect of 2015 and other compensation. It does not include the amount of incentive compensation deferred and co-invested during the year subject to disclosure, the amount of incentive compensation deferred in the past and paid during the year subject to disclosure, including the credited interest, and the value of the pension plan. The value of the pension plan is given in Table 43 of this Annual Report.
3. As provided under the incentive compensation program, the incentive compensation deferred and co-invested in respect of previous years, plus the average annual return generated by la Caisse for its depositors for the three-year period, was paid to executives. Each of these amounts is indicated in the relevant annual report. Mr. Beroutsos was appointed Executive Vice-President, Private Equity and Infrastructure in May 2014 and Mr. Dubé was appointed Executive Vice-President, Québec in September 2014. Consequently, as they started participating in the co-investment in 2014, they did not co-invest any amount in 2011 and in 2012 and no amount was paid to them in this respect in 2014 and 2015.
4. Mr. Beroutsos received a lump sum spread over several years until 2017 as compensation that included amounts he had to forfeit when he was hired. This amount totalled $537,000 for 2015. He also receives monetary compensation in lieu of membership in the supplemental executive retirement plan, the amount of which totalled $320,000. He is required to participate in the basic plan. Mr. Beroutsos' direct compensation, although presented in Canadian dollars, is paid in U.S. dollars based on the conversion rate in effect when payments are made.

Report of the Human Resources Committee

TABLE 43

PENSION SUMMARY OF THE PRESIDENT AND CEO AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES

Name and main position	Years of credited service[1]	Annual benefits payable[2] ($) At year-end	Annual benefits payable[2] ($) At age 65	Accrued obligation at start of year[3] ($)	Change due to compensatory items[4] ($)	Change due to non-compensatory items[5] ($)	Accrued obligation at year-end[3] ($)
Michael Sabia President and CEO[6]	6.8	19,200	26,900	0	0	0	0
Roland Lescure Executive Vice-President and Chief Investment Officer	6.2	224,800	500,000	2,536,500	362,100	(84,800)	2,813,800
Andreas Beroutsos Executive Vice-President, Private Equity and Infrastructure[7]	1.7	4,700	45,500	0	0	0	0
Bernard Morency Executive Vice-President, Depositors, Strategy and Chief Operations Officer	6.4	128,300	161,500	1,881,600	288,600	(126,100)	2,044,100
Christian Dubé Executive Vice-President, Québec	1.3	21,600	103,100	93,600	277,400	(2,400)	368,600
Claude Bergeron Executive Vice-President and Chief Risk Officer	35.2	248,500	321,200	2,081,700	23,700	7,600	2,113,000

1. This is the number of years of credited service in the basic plan.
2. Annual benefits equal the amount of pension payable under the basic plan and the supplemental plan at year-end or at age 65.
3. The obligations do not include those of the basic plan because employer and employee contributions are remitted to CARRA, which assumes the liability for the benefits. La Caisse's contribution was $20,268 per executive in 2015.
4. The change due to compensatory items includes the annual cost of pension benefits, base salary changes according to the salary increase assumption used, plan changes and the award of additional years of service.
5. The change due to non-compensatory items includes amounts attributable to the interest accrued on the obligation at the beginning of the year, actuarial gains and losses associated with non-compensatory items and changes in actuarial assumptions.
6. When Mr. Sabia was appointed in 2009, he waived membership in any pension plan. Under CARRA rules, however, membership in the Pension Plan of Management Personnel is mandatory, as described on its website at http://www.carra.gouv.qc.ca/ang/regime/rrpe/rrpe_s03.htm.
7. Mr. Beroutsos receives monetary compensation in lieu of membership in the supplemental executive retirement plan. He is required to be a member of the basic plan. Pensions under the basic plan are payable in Canadian dollars.

TABLE 44

SUMMARY OF SEVERANCE PAY FOR THE PRESIDENT AND CEO AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES

Name and main position	Precipitating event	Theoretical amount payable ($)
Michael Sabia President and CEO[1]	Contract termination	0
Roland Lescure Executive Vice-President and Chief Investment Officer[2]	Non-voluntary termination	1,000,000
Andreas Beroutsos Executive Vice-President, Private Equity and Infrastructure[3]	Non-voluntary termination	1,226,000
Bernard Morency Executive Vice-President, Depositors, Strategy and Chief Operations Officer[4]	Non-voluntary termination	830,000
Christian Dubé Executive Vice-President, Québec[5]	Non-voluntary termination	830,000
Claude Bergeron Executive Vice-President and Chief Risk Officer[6]	Non-voluntary termination	780,000

1. When Mr. Sabia was appointed in 2009, he waived any severance plan, regardless of cause.
2. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance pay equal to 24 months of his annual base salary.
3. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance pay equal to 23 months of his annual base salary. Although presented in Canadian dollars, Mr. Beroutsos' severance pay is payable in U.S. dollars.
4. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance pay equal to his annual base salary, plus an amount equal to his annual target incentive compensation.
5. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance pay equal to 24 months of his annual base salary.
6. In the event of dismissal without just and sufficient cause, this executive's employment contract provides for severance pay equal to his annual base salary, increased by an amount equivalent to his annual target incentive compensation and the annual amount related to perquisites.

Report of the Human Resources Committee

TABLE 45

REFERENCE MARKETS AND CAISSE DIRECT COMPENSATION IN 2015 FOR THE PRESIDENT AND CEO AND THE FIVE MOST HIGHLY COMPENSATED EXECUTIVES[1,7]

	Reference markets Direct compensation paid		Caisse
Main position	Maximum compensation under the Bylaw[2] ($)	For a superior performance[3] ($)	Direct compensation paid in 2015[4] ($)
President and CEO	5,485,000	4,113,750	2,601,020
Executive Vice-President and Chief Investment Officer	4,290,900	3,218,175	2,192,070
Executive Vice-President, Private Equity and Infrastructure[5]	3,337,700	2,503,275	2,226,000
Executive Vice-President, Depositors, Strategy and Chief Operations Officer	N/A	N/A	1,652,071
Executive Vice-President, Québec[6]	2,977,000	2,232,750	985,000
Executive Vice-President and Chief Risk Officer	1,496,600	1,122,450	1,011,840

1. The direct compensation paid in 2015 is aligned with the principle of "earned" compensation, as defined under the Income Tax Act as compensation that is "paid in cash and taxable."
2. As stipulated in the Internal Bylaw, potential direct compensation at the 75th percentile of the respective reference markets was used for the President and Chief Executive Officer and non-investment positions. The 90th percentile of the reference market was used for investment positions. These theoretical amounts exclude the value of pension plans but include the value of perquisites and long-term compensation.
3. Direct compensation paid by the reference markets for a superior performance corresponds to about 75% of the maximum direct compensation under the Internal Bylaw.
4. These amounts reflect the direct compensation paid in 2015, which does not include deferred and co-invested incentive compensation (see Note 1 in Table 42) and the value of the pension plan, but which includes the value of the amounts of incentive compensation deferred in 2012 and paid in 2015 and perquisites. This compensation was paid for a 10.9% four-year net annualized return (2012, 2013, 2014 and 2015), equivalent to a superior performance.
5. Mr. Beroutsos was appointed Executive Vice-President, Private Equity and Infrastructure in May 2014. Mr. Beroutsos began participating in the co-investment in 2014. As a result, he did not co-invest any amount in 2012 and no amount was paid to him in this regard in 2015.
6. Mr. Dubé was appointed Executive Vice-President, Québec in September 2014. Mr. Dubé began participating in the co-investment in 2014. As a result, he did not co-invest any amount in 2012 and no amount was paid to him in this regard in 2015.
7. Towers Watson, Compensation of the President and Chief Executive Officer Study and Compensation of Executive Committee Members Study, Caisse de dépôt et placement du Québec, 2015.

Report of the Investment and Risk Management Committee

HIGHLIGHTS

1

Reviewed accountability with respect to the 2015-2018 strategy for the specialized portfolios and the retrospective analysis for 2015.

2

Reviewed the Integrated Risk Management Policy and recommended it to the Board.

3

Reviewed the foreign exchange risk hedging strategy applicable for specialized portfolios.

THE INVESTMENT AND RISK MANAGEMENT COMMITTEE

The Board of Directors established the Investment and Risk Management Committee to help the Audit Committee fulfill its duty to implement a risk management process.

MANDATE

The Committee's mandate is to ensure that risk management policies and guidelines are in place with the objective of achieving an optimal risk-return relationship. For a complete description of the Committee's mandate, consult the Governance section of la Caisse's website (www.cdpq.com).

The mandates of the Committee and its Chair were reviewed in 2015.

COMPOSITION (as at December 31, 2015)

Five independent members:

- Chair: Jean La Couture
- Members: Elisabetta Bigsby, Patricia Curadeau-Grou, Gilles Godbout and François R. Roy
- Guest member: François Joly, Chair of the Audit Committee

The Chairman of the Board attends the Committee meetings.

ACTIVITY REPORT

Number of meetings in 2015: 7

The Committee has introduced various mechanisms to provide the Audit Committee and the Board with the necessary assurance regarding the implementation of a risk management process. The Committee:

- provided a report on its activities to the Board after each meeting;
- made copies of its minutes available to the Audit Committee and the Board;
- invited the Chair of the Audit Committee to attend each meeting.

Report of the Investment and Risk Management Committee

Risk management guidelines and policies

In 2015, the Committee fulfilled its responsibilities in ways that included the following:

- Reviewed accountability reports on the 2015-2018 strategy for the specialized portfolios as well as the changes in the portfolio and the retrospective analysis of 2015.
- Revised the specialized portfolios' investment policies to ensure optimal management of investment and risk activities, such as benchmark-agnostic management of public equity portfolios, and recommended that the Board approve the changes.
- Revised the Integrated Risk Management Policy and recommended it to the Board for approval.
- Revised the target returns and market risk limits for the specialized portfolios and the overall portfolio, and recommended that the Board approve them.
- Revised the methodology used to establish a performance measure for the Infrastructure portfolio.
- Reviewed and monitored the overall liquidity risk management strategy.
- Reviewed la Caisse's use of derivative financial instruments as well as the related management process, and recommended a limit on the use of such products to the Board.
- Reviewed the framework for managing exposure to la Caisse's investment partners.
- Reviewed and discussed the report of the internal Operational Risk Committee.
- Reviewed, at each committee meeting, overall risk-return reports for la Caisse.
- Reviewed the Risk group's business plan.

Investment proposals

- Reviewed and recommended investment proposals under the Board's authority, considering the analysis submitted by the team responsible for the transaction, the project's risk analysis and, more specifically, its impact on the risk level and concentration of the specialized portfolio concerned and la Caisse's overall portfolio, as well as the investment's compliance with the risk oversight policies and guidelines.
- Discussed the risk-return relationship for each investment proposal submitted to the Committee.
- Received follow-up reports on investment proposals authorized by the Board as well as investments that were authorized by la Caisse's senior management but did not come under the Board's purview.

Depositors

- Discussed depositors' endorsement of la Caisse's priorities and the strategies for implementing them.
- Analyzed the certificates of compliance with the depositors' investment policies and the specialized portfolios' investment policies.

USE OF THE SERVICES OF EXTERNAL EXPERTS

The Investment and Risk Management Committee did not use the services of external experts in 2015.

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

Organizational Structure

La Caisse's Board of Directors consists of the Chairman, the President and Chief Executive Officer, depositors' representatives and independent members. The Act respecting the Caisse stipulates that at least two-thirds of the directors, including the Chairman, must be independent.

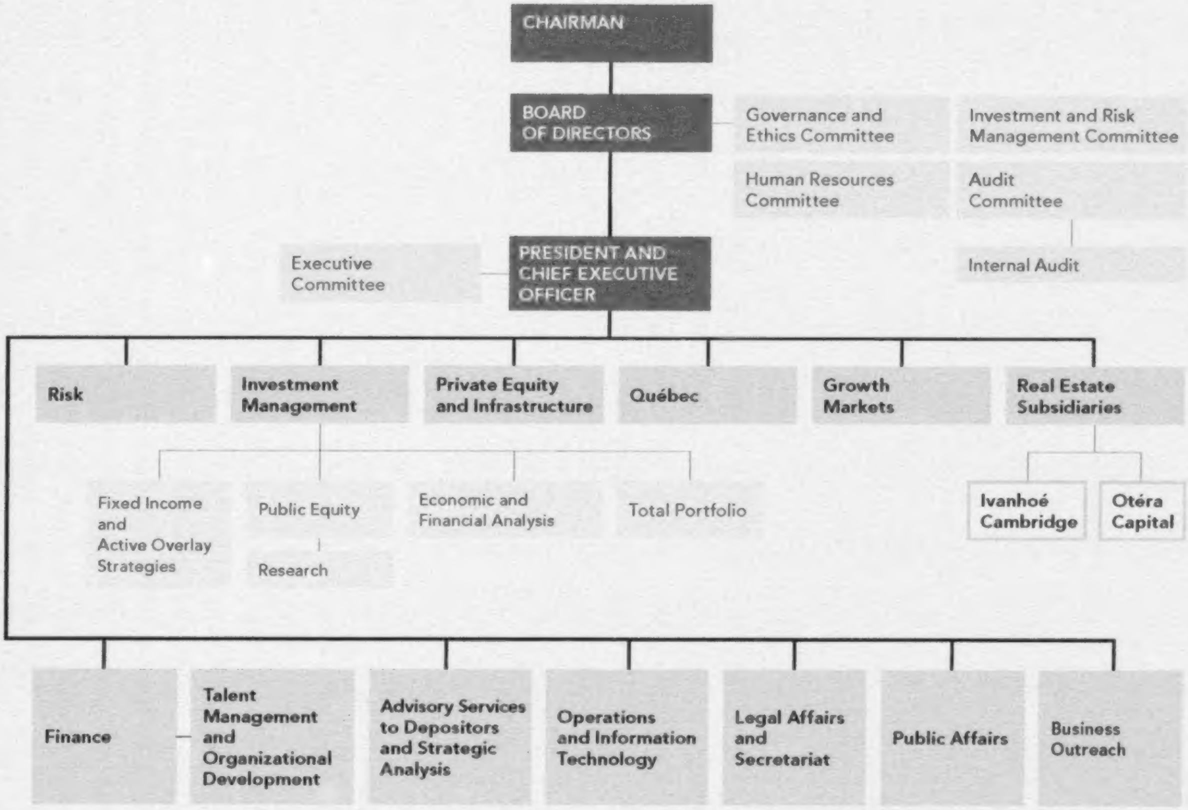
The Executive Committee is composed of the President and Chief Executive Officer and senior officers from la Caisse's various units. As at December 31, 2015, la Caisse had a total of 851 employees. At that date, Ivanhoé Cambridge and Otéra Capital, the real estate subsidiaries, had a total of more than 1,600 employees.

These subsidiaries operate independently of la Caisse; they have their own boards of directors and are managed by separate presidents (see Figure 47, p. 115).

In 2015, la Caisse established the subsidiary CDPQ Infra, which will act as operator of infrastructure projects.

FIGURE 46

ORGANIZATIONAL STRUCTURE – CAISSE
(as at December 31, 2015)


CHAIRMAN
BOARD OF DIRECTORS
Governance and Ethics Committee
Investment and Risk Management Committee
Human Resources Committee
Audit Committee
Internal Audit
Executive Committee
PRESIDENT AND CHIEF EXECUTIVE OFFICER
Risk
Investment Management
Private Equity and Infrastructure
Québec
Growth Markets
Real Estate Subsidiaries
Fixed Income and Active Overlay Strategies
Public Equity
Research
Economic and Financial Analysis
Total Portfolio
Ivanhoé Cambridge
Otéra Capital
Finance
Talent Management and Organizational Development
Advisory Services to Depositors and Strategic Analysis
Operations and Information Technology
Legal Affairs and Secretariat
Public Affairs
Business Outreach

REAL ESTATE

Real estate investments, which take the form of equities and debt, involve primarily shopping centres, office buildings, multiresidential and logistics properties in key cities worldwide. The holdings are divided into two specialized portfolios: Real Estate and Real Estate Debt.

The Real Estate portfolio consists of the assets of Ivanhoé Cambridge, a global real estate industry leader. The Company draws upon sophisticated expertise in value-generating real estate disciplines: investment, development, asset management, leasing and operations. Ivanhoé Cambridge's portfolio includes interests in companies' share capital, in partnerships and platforms and directly in assets.

The Real Estate Debt portfolio consists of the holdings of Otéra Capital, one of the largest commercial real estate financing companies in Canada. Otéra Capital manages a portfolio comprised mainly of senior Canadian commercial mortgages.

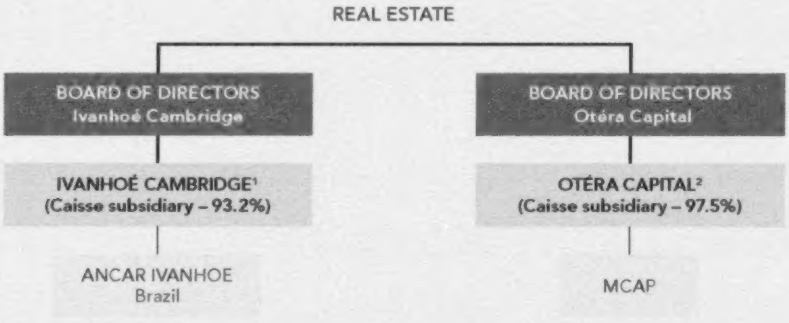
Figure 47 presents the organizational structure of the real estate operations and la Caisse's percentage interests in the subsidiaries Ivanhoé Cambridge and Otéra Capital.

More information on the real estate subsidiaries can be found at www.ivanhoecambridge.com and www.oteracapital.com.

FIGURE 47

ORGANIZATIONAL STRUCTURE – REAL ESTATE SUBSIDIARIES

(as at December 31, 2015)


REAL ESTATE
BOARD OF DIRECTORS Ivanhoé Cambridge
BOARD OF DIRECTORS Otéra Capital
IVANHOÉ CAMBRIDGE[1] (Caisse subsidiary – 93.2%)
OTÉRA CAPITAL[2] (Caisse subsidiary – 97.5%)
ANCAR IVANHOE Brazil
MCAP

[1] Daniel Fournier, Chairman and Chief Executive Officer, Ivanhoé Cambridge

[2] Alfonso Graceffa, President and Chief Executive Officer, Otéra Capital
Raymond McManus, Chairman of the Board, Otéra Capital

Board of Directors

ROBERT TESSIER
Chairman of the Board of Directors
Committees: Governance and Ethics / Human Resources
Member since March 2009

ELISABETTA BIGSBY
Corporate Director
Committees: Human Resources / Investment and Risk Management
Member since November 2009

BERTRAND CESVET
Executive Chairman
and Senior Partner
Sid Lee
Member since April 2015

PATRICIA CURADEAU-GROU
Corporate Director
Committee: Investment and Risk Management
Member since October 2013

MICHÈLE DESJARDINS[1]
President, Koby Consulting
and Senior Associate
Lansberg Gersick & Associates LLC
Committees: Governance and Ethics / Human Resources
Member since December 2009

RITA DIONNE-MARSOLAIS
Economist and Corporate Director
Committees: Governance and Ethics / Audit
Member since January 2013

GILLES GODBOUT
Corporate Director
Committees: Investment and Risk Management / Audit
Member since January 2013

NORMAN JOHNSTON[2]
President and Chief Executive Officer
Régie des rentes du Québec
Member since April 2015

FRANÇOIS JOLY
Corporate Director
Committees: Audit / Human Resources
Member since March 2013

JEAN LA COUTURE
Corporate Director
President, Huis Clos Ltée, Gestion et médiation
Committee: Investment and Risk Management
Member since January 2013

DIANE LEMIEUX
President and Chief Executive Officer
Commission de la construction du Québec
Member since December 2014

FRANÇOIS R. ROY
Corporate Director
Committees: Investment and Risk Management / Audit
Member since December 2009

MICHAEL SABIA
President and Chief Executive Officer
Caisse de dépôt et placement du Québec
Member since March 2009

OUMA SANANIKONE
Corporate Director
Committees: Governance and Ethics / Human Resources
Member since August 2007

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[1] Ms. Desjardins was replaced by Wendy Murdock in 2016.
[2] Mr. Johnston was replaced by Michel Després in 2016.

The biographies of the members of the Board of Directors can be found in the Governance section of the Caisse website at www.cdpq.com.

Executive Committee

CLAUDE BERGERON
Executive Vice-President
and Chief Risk Officer

ANDREAS BEROUTSOS
Executive Vice-President
Private Equity and Infrastructure

MYRIAM BLOUIN
Senior Vice-President
Talent Management and
Organizational Development

MICHÈLE BOISVERT
Executive Vice-President
Business Outreach

ANI CASTONGUAY
Senior Vice-President
Public Affairs

MARC CORMIER
Executive Vice-President
Fixed Income and
Active Overlay Strategies
Investment Management

CHRISTIAN DUBÉ
Executive Vice-President
Québec

MARIE GIGUÈRE
Executive Vice-President
Legal Affairs and Secretariat

JEAN-LUC GRAVEL
Executive Vice-President
Equity Markets
Investment Management

RASHAD KALDANY
Executive Vice-President
Growth Markets

ROLAND LESCURE
Executive Vice-President
and Chief Investment Officer

JEAN MICHEL[1]
Executive Vice-President
Advisory Services to Depositors
and Strategic Analysis

PIERRE MIRON
Executive Vice-President
Operations
and Information Technology

BERNARD MORENCY[2]
Executive Vice-President
Depositors, Strategy
and Chief Operations Officer

MAARIKA PAUL
Executive Vice-President
and Chief Financial Officer

MICHAEL SABIA
President and Chief Executive Officer

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[1] Mr. Michel took up his duties in March 2016.

[2] Mr. Morency stepped down from his position in February 2016.

The biographies of the members of the Executive Committee can be found in the Governance section of the Caisse website at www.cdpq.com.

FINANCIAL REPORT

Change in Assets

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

Net assets attributable to depositors grew from $159.0 billion as at December 31, 2011, to $248.0 billion as at December 31, 2015, increasing by $89.0 billion over four years. This growth came essentially from net investment results of $81.6 billion and depositors' net contributions of $7.4 billion (see Table 51, p. 121).

During 2015, net assets attributable to depositors were up $22.2 billion to $248.0 billion, compared to $225.9 billion as at December 31, 2014. This increase was due to $20.1 billion of net investment results, which came mainly from the Equity asset class, contributing $11.6 billion, and the Inflation-Sensitive Investments asset class, which contributed $3.8 billion.

TOTAL ASSETS

Total assets reached $290.8 billion as at December 31, 2015, versus $272.7 billion at the end of 2014 (see Table 48). This $18.1-billion increase was due to reinvestment of investment income, net unrealized gains and depositors' contributions. La Caisse, which has a solid financial position, reduced its liabilities to total assets ratio slightly, to 15%. La Caisse's liabilities consist primarily of securities sold under repurchase agreements and the financing programs of its subsidiary CDP Financial, which are used mainly to finance real estate investments.

ASSETS UNDER MANAGEMENT AND ASSETS UNDER ADMINISTRATION

La Caisse and its subsidiaries administer and manage assets entrusted to them by clients and on their behalf. These assets are not included in the institution's Consolidated Statement of Financial Position. La Caisse and its subsidiaries receive fees in return for such portfolio management services and administrative services, which include the administration of real estate properties and transferred mortgages.

As at December 31, 2015, la Caisse's assets under management and administered assets totalled $73.4 billion, up $13.4 billion from one year earlier (see Table 49).

This growth came in part from the portfolio administered by MCAP Commercial LP, a subsidiary of Otéra Capital. This company administers more than $50.5 billion of Canadian residential, commercial and construction mortgages.

TABLE 48

FINANCIAL INFORMATION – FINANCIAL POSITION

(as at December 31 – in millions of dollars)

	2015	2014
ASSETS		
Investments	**286,845**	268,804
Other assets	**3,972**	3,919
Total assets	**290,817**	272,723
LIABILITIES		
Investment liabilities	**41,039**	44,924
Other liabilities	**1,753**	1,948
Total liabilities excluding net assets attributable to depositors	**42,792**	46,872
Net assets attributable to depositors	**248,025**	225,851

TABLE 49

FINANCIAL INFORMATION – TOTAL ASSETS UNDER MANAGEMENT

(as at December 31 – in millions of dollars)

	2015	2014
Total assets	**290,817**	272,723
Assets under management	**20,505**	12,699
Assets under administration	**52,850**	47,264
Assets under management and assets under administration	**73,355**	59,963
Total assets under management	**364,172**	332,686

NET INVESTMENT RESULTS

Over four years, net investment results amounted to $81.6 billion. The Equity asset class contributed the most, generating $51.4 billion of net investment results, including $41.6 billion from the Public Equity portfolios.

In 2015, la Caisse recorded net investment results of $20.1 billion (see Table 50). These results were directly attributable to high returns on international equity markets, which made a substantial contribution to total results of $11.6 billion for the Equity asset class. The Inflation-Sensitive Investments asset class generated favourable results in 2015, with the largest contribution, $3.1 billion, made by the Real Estate portfolio.

NET CONTRIBUTIONS BY DEPOSITORS

Total net contributions by depositors as at December 31, 2015 were $2.1 billion, mainly due to the $1.5 billion contribution made by the Retirement Plans Sinking Fund.

TABLE 50

FINANCIAL INFORMATION – RESULTS BEFORE DISTRIBUTIONS TO DEPOSITORS

(as at December 31 – in millions of dollars)

	2015	2014
Net investment income	**7,504**	6,704
Operating expenses	**(396)**	(315)
Net income	**7,108**	6,389
Net realized gains	**975**	5,847
Net unrealized gains	**12,026**	11,539
Net gains on financial instruments at fair value	**13,001**	17,386
Net investment results before distributions to depositors	**20,109**	23,775

TABLE 51

FINANCIAL INFORMATION – SUMMARY OF CHANGES IN NET ASSETS ATTRIBUTABLE TO DEPOSITORS

(for the period from 2012 to 2015 – in billions of dollars)

	2015	2014	2013	2012	4 years
Net assets attributable to depositors, beginning of year	**225.9**	200.1	176.2	159.0	**159.0**
Net investment results before distributions to depositors	**20.1**	23.8	22.8	14.9	**81.6**
Net contributions by depositors	**2.1**	2.0	1.2	2.3	**7.4**
Net assets attributable to depositors, end of year	**248.0**	225.9	200.1	176.2	**248.0**

Analysis of Operating Expenses and External Management Fees

Operating expenses represent la Caisse's total portfolio management and administration costs. External management fees are amounts paid to external financial institutions to manage funds on la Caisse's behalf. Expenses related to the management of the Real Estate portfolio and the Real Estate Debt portfolio are included in operating expenses.

For fiscal 2015, operating expenses totalled $396 million, compared to $315 million in 2014. This difference is a result of la Caisse's deployment of the strategic plan to increase its international footprint, implement a benchmark-agnostic approach and acquire more less-liquid assets, requiring the hiring of specialized expertise. External management fees totalled $27 million, or $14 million more than in 2014, mainly because of additional growth markets mandates awarded to external managers. In the consolidated financial statements, external management fees are netted against investment income.

Operating expenses and external management fees amounted to $423 million in 2015, compared to $328 million in 2014. This amount represents 18.0 cents per $100 of average net assets, situating la Caisse favourably in its management category (see Figure 52). Over four years, operating expenses and external management fees were relatively stable at approximately 18.0 cents per $100 of average net assets.

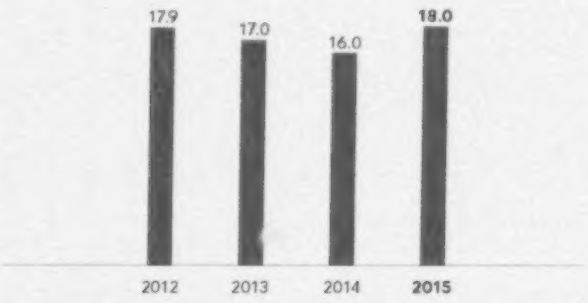
OPERATIONAL EFFICIENCY

La Caisse periodically reviews its procedures to maintain disciplined control over its operating expenses. It aims to maintain operating expenses at a level that, taking into account its investment mix, is comparable to that of institutional fund managers of the same size with similar operations. La Caisse has been benchmarking its costs by asset class for many years.

FIGURE 52

OPERATING EXPENSES AND EXTERNAL MANAGEMENT FEES EXPRESSED IN CENTS PER $100 OF DEPOSITORS' AVERAGE NET ASSETS

(for periods ended December 31 – in cents)



CDP Financial

CDP Financial is a wholly owned subsidiary of la Caisse. Its transactions are designed to optimize the cost of financing the operations of la Caisse and its subsidiaries, to diversify their sources of financing and to match financed assets in terms of currencies and interest rates. To achieve its objectives, it has two financing programs on the local and international institutional markets: short-term borrowing and long-term borrowing.

SHORT-TERM BORROWING

As at December 31, 2015, short-term financing totalled $3.8 billion, with $1 billion on the Canadian market and USD 2 billion on the U.S. market. In 2015, the average maturity of the borrowings on the Canadian market was 72 days, and transactions totalled $4.8 billion during the year, while the average maturity of the borrowings on the U.S. market was 86 days, and transactions totalled USD 8.5 billion.

TERM BORROWING

As at December 31, 2015, the fair value of CDP Financial's outstanding term notes totalled $9.9 billion, versus $9.8 billion at the end of 2014 (see Figure 53).

The $100-million increase from 2014 is attributable to the appreciation of the U.S. dollar offset by the decrease in outstanding securities. In July 2015, without the need for term financing, a maturing debt of $1 billion was not renewed.

GEOGRAPHIC ALLOCATION

The geographic allocation of the financing is as follows: 75% of the debt instruments are outstanding on the U.S. market, 16% on the Canadian market and 9% on the European market.

CREDIT RATING AGENCIES REAFFIRM LA CAISSE'S FINANCIAL STRENGTH

Dominion Bond Rating Services (DBRS), Moody's Investors Service (Moody's) and Standard & Poor's (S&P) reaffirmed their investment-grade credit ratings with a stable outlook in 2015 (see Table 54). The credit ratings of CDP Financial and la Caisse were published in September and December 2015.

FIGURE 53

BREAKDOWN OF LIABILITIES – CDP FINANCIAL

(fair market value as at December 31 – in billions of dollars)

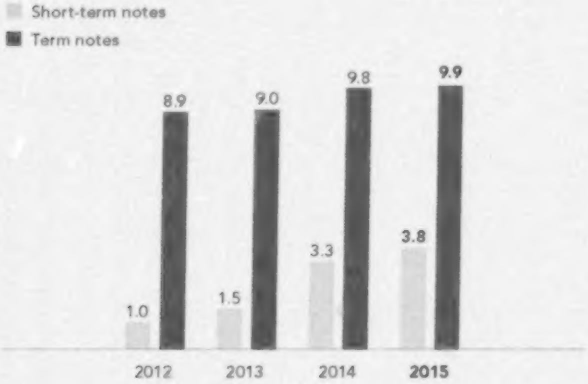


TABLE 54

CREDIT RATINGS

	Short-term	Long-term
DBRS	R-1 (high)	AAA
Moody's	Prime-1 (Aaa)	Aaa
S&P	A-1 + A-1 (HIGH)	AAA

Significant Accounting Principles

The consolidated financial statements of la Caisse include the accounts of the General Fund, the individual funds, the specialized portfolios and the accounts of its subsidiaries exclusively offering services related to financing and management operations. Net assets attributable to depositors presented in the Consolidated Statement of Financial Position reflect the combined net value of the accounts of each of the depositors of la Caisse. Note 2 to the audited consolidated financial statements as at December 31, 2015 describes the significant accounting policies used by la Caisse.

FINANCIAL REPORTING

The consolidated financial statements of la Caisse are prepared in accordance with the prevailing accounting standards, namely International Financial Reporting Standards (IFRS), as stipulated in the Act respecting the Caisse de dépôt et placement du Québec. Accounting policies have been applied consistently for all years presented.

EXTERNAL AUDIT

In accordance with the Act respecting the Caisse, the co-auditors audited all of la Caisse's accounting records and issued an unqualified auditors' report for each of the 67 financial statements.

Significant IFRS accounting standards applicable to the consolidated financial statements of la Caisse

Investment entities

Under IFRS 10, Consolidated Financial Statements, the subsidiaries that constitute an investment for an investment entity must be presented and measured at fair value. Accordingly, la Caisse, qualified as an investment entity, does not consolidate its investments, particularly in its real estate, real estate debt, private equity and infrastructure subsidiaries. Valuation of these investments is based on a corporate valuation technique in accordance with IFRS.

Fair value measurement

IFRS 13, Fair Value Measurement, provides a single source of guidelines for all fair value measurements. Fair value is the price that is received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The main techniques for measuring la Caisse's liquid and less-liquid investments are described in Note 7 to the consolidated financial statements on page 148.

Financial measures

As part of issuing certain information included in the Annual Report, la Caisse uses and presents both measures in accordance with IFRS and other financial measures inconsistent with IFRS. La Caisse is of the opinion that these measures provide relevant information, complementary to the analysis of its financial reporting (see General Notes 3 and 6 at the end of the Annual Report).

Fair Value Measurement

FAIR VALUE MEASUREMENT POLICY

Investment valuation is a process whereby a fair value is assigned to each of la Caisse's investments with a view to preparing the consolidated financial statements. Measurement of investments at fair value is performed periodically in accordance with the Caisse Investment Valuation Policy, which is approved by the Board of Directors. This comprehensive policy is then supported by valuation directives that indicate the valuation methodology to be applied for each type of investment. The policy and directives also dictate governance of the valuation and reporting processes. The implementation of the policy is the responsibility of the Valuation Committee, which reports to the Executive Committee. The Valuation Committee approves directives, compliance with the policy, and the fair value of la Caisse's investments semi-annually. Accordingly, the Valuation Committee recommends these fair values to the Audit Committee. This policy complies with the standards and practices of Canadian and international valuation bodies.

Under the policy, when fair value is determined by external valuators or third parties, the Valuation Committee verifies the qualifications, experience and independence of these parties. It also reviews the valuation techniques, the significant inputs used in calculating fair value, and the results and conclusions to ensure that they comply with recognized valuation standards.

In addition, to ensure the reasonableness of the fair value determined, la Caisse may perform back-testing, compare the established fair value with values of comparable transactions, and use external valuators.

Co-auditors have access to all valuation files as part of the audit of the year-end consolidated financial statements.

CONCEPTUAL FRAMEWORK

International Financial Reporting Standards (IFRS) define fair value and provide guidelines on measurement and disclosures related to fair value. Entities are required to maximize the use of relevant observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value must be established by assuming that the investments are available for sale, that is, that the fair value of investments corresponds to an exit price at the date of the financial statements. The purpose of the accounting standards is to define a single conceptual framework that can be used in all situations requiring fair value measurement.

La Caisse considers that International Financial Reporting Standards constitute a coherent framework for fair value measurement. Nevertheless, these restrictive standards do not take into account the fact that, in accordance with the very long-term investment horizon adopted by its main depositors, la Caisse has the means and intends to hold certain investments until their optimal value is attained.

As such, the fair value established as at December 31, 2015 for investments in less-liquid markets, such as real estate assets, real estate debt, private equity and infrastructure, reflects the general volatility of the financial markets, and this may differ from the economic value of long-term investments.

Note 7 to the consolidated financial statements, on page 148, describes fair value measurement techniques.

CONSOLIDATED FINANCIAL STATEMENTS

Management's responsibility for consolidated financial reporting

Preparation and presentation of the consolidated financial statements of la Caisse de dépôt et placement du Québec ("la Caisse") are the responsibility of management. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and incorporated into the *CPA Canada Handbook*. We ensure that the financial data in the Annual Report are consistent with those in the consolidated financial statements.

The consolidated financial statements include amounts based on management's best estimates and judgment, with due regard for their relative importance. Moreover, in the preparation of the financial information, management has made decisions regarding the information to be presented, has made estimates and has made assumptions that affect the information presented. Future results may differ considerably from our current estimates, because of changes in the financial markets or other events that may have an impact on the fair value of the investments.

In our responsibility for the reliability of financial information, we use a sophisticated internal control mechanism applied systematically on all levels of the organization. This mechanism consists of organizational and operational controls, financial information disclosure controls and procedures, and internal control over financial information. La Caisse's internal control mechanism is based, among other things, on a clear definition of responsibilities; effective allocation of duties and delegation of powers; competent resources; appropriate procedures, information systems, tools and practices; relevant and reliable information whose adequacy enables all employees to fulfill their responsibilities; control, compliance and integrated risk management measures that are proportional to the issues specific to each process and designed to reduce risks likely to affect achievement of la Caisse's objectives; and oversight of compliance with an extensive body of internal policies.

This control mechanism makes it possible to ensure that appropriate internal controls are in place with regards to operations, assets and records. Moreover, la Caisse's internal audit group audits the internal controls on a regular basis. These controls and audits are designed to provide reasonable assurance regarding the reliability of the accounting records used to prepare the consolidated financial statements and to ensure that assets are not used or disposed of in any unauthorized manner, that liabilities are recorded, and that we meet all the legal requirements to which la Caisse is subject, including the *Act respecting the Caisse de dépôt et placement du Québec*.

Each year, we certify that the design of the internal control regarding financial information is sufficient and that the design and functioning of the financial information disclosure controls and procedures are effective. We report any significant irregularity to the Audit Committee of the Board of Directors of la Caisse, as necessary.

The Auditor General of Québec and Ernst & Young LLP (the "co-auditors") have audited the consolidated financial statements of la Caisse as at December 31, 2015 and for the year then ended and their report covers the nature and scope of the audit and expresses their opinion. The co-auditors have unrestricted access to the Audit Committee to discuss any matter relating to their audit.

The Board of Directors and its committees supervise the manner in which management fulfills its responsibility for the establishment and presentation of financial information, maintenance of appropriate internal controls, compliance with the requirements of laws and regulations, management of and control over the main risks and evaluation of major transactions. Moreover, it approves the consolidated financial statements and the Annual Report.

The Board of Directors has approved the consolidated financial statements as at December 31, 2015 and for the year then ended. It is assisted in its responsibilities by the Audit Committee, of which all members are independent directors. This Committee meets with management and the co-auditors, examines the consolidated financial statements and recommends their approval to the Board of Directors.

Maarika Paul

MICHAEL SABIA

President and Chief Executive Officer

Montréal, February 23, 2016

MAARIKA PAUL, FCPA, FCA, CBV

Executive Vice-President and
Chief Financial Officer

Independent auditors' report

To the National Assembly

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of la Caisse de dépôt et placement du Québec, which comprise the Consolidated Statement of Financial Position as at December 31, 2015, and the Consolidated Statements of Comprehensive Income, Changes in Net Assets Attributable to Depositors and Cash Flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information included in the notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of la Caisse de dépôt et placement du Québec as at December 31, 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Report on other legal and regulatory requirements
As required by the *Auditor General Act* (CQLR, chapter V-5.01), we report that, in our opinion, the accounting standards have been applied on a basis consistent with that of the preceding year.

Auditor General of Québec,

Guylaine Leclerc FCPA auditrice, FCA

Guylaine Leclerc, FCPA auditor, FCA

Montréal, February 23, 2016

Ernst & Young LLP,

Ernst & Young s.r.l./S.E.N.C.R.L.

CPA auditor, CA, permit no. A112431

Montréal, February 23, 2016

Consolidated statement of financial position

As at December 31, 2015

(in millions of Canadian dollars)	2015	2014
Assets		
Cash	**420**	211
Amounts receivable from transactions being settled	**1,288**	1,346
Advances to depositors	**776**	1,090
Investment income, accrued and receivable	**1,226**	1,149
Other assets	**262**	123
Investments *(Note 4)*	**286,845**	268,804
Total assets	**290,817**	272,723
Liabilities		
Amounts payable on transactions being settled	**1,224**	1,300
Other financial liabilities	**529**	648
Investment liabilities *(Note 4)*	**41,039**	44,924
Total liabilities excluding net assets attributable to depositors	**42,792**	46,872
Net assets attributable to depositors	**248,025**	225,851

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors,

MICHAEL SABIA

FRANÇOIS JOLY

Consolidated statement of comprehensive income

For the year ended December 31, 2015

(in millions of Canadian dollars)	2015	2014
Investment income *(Note 9)*	8,131	7,417
Investment expense *(Note 9)*	(627)	(713)
Net investment income *(Note 9)*	7,504	6,704
Operating expenses *(Note 11)*	(396)	(315)
Net income	7,108	6,389
Net realized gains *(Note 10)*	975	5,847
Net unrealized gains *(Note 10)*	12,026	11,539
Net gains on financial instruments at fair value	13,001	17,386
Net investment result before distributions to depositors *(Note 10)*	20,109	23,775
Distributions to depositors	(12,801)	(12,445)
Comprehensive income attributable to depositors	7,308	11,330

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in net assets attributable to depositors

For the year ended December 31, 2015

(in millions of Canadian dollars)	Demand deposits	Term deposits	Distributions payable to depositors	Participation deposits	Net assets attributable to depositors
Balance as at December 31, 2013	371	92	1,328	198,358	200,149
Attributions and distributions					
Comprehensive income attributable to depositors	–	–	–	11,330	11,330
Distributions to depositors	12,152	–	293	–	12,445
Participation deposits					
Issuance of participation deposit units	(14,771)	–	–	14,771	–
Cancellation of participation deposit units	652	–	–	(652)	–
Net deposits					
Net change in term deposits	(106)	106	–	–	–
Net contributions by depositors	1,927	–	–	–	1,927
BALANCE AS AT DECEMBER 31, 2014	225	198	1,621	223,807	225,851
Attributions and distributions					
Comprehensive income attributable to depositors	**–**	**–**	**–**	**7,308**	**7,308**
Distributions to depositors	**12,304**	**–**	**497**	**–**	**12,801**
Participation deposits					
Issuance of participation deposit units	**(14,539)**	**–**	**–**	**14,539**	**–**
Cancellation of participation deposit units	**282**	**–**	**–**	**(282)**	**–**
Net deposits					
Net change in term deposits	**193**	**(193)**	**–**	**–**	**–**
Net contributions by depositors	**2,065**	**–**	**–**	**–**	**2,065**
BALANCE AS AT DECEMBER 31, 2015	**530**	**5**	**2,118**	**245,372**	**248,025**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

For the year ended December 31, 2015

(in millions of Canadian dollars)	2015	2014
Cash flows from operating activities		
Comprehensive income attributable to depositors	**7,308**	11,330
Adjustments for:		
Net unrealized losses and amortization on commercial paper, loans and term notes payable	**1,117**	870
Distributions to depositors	**12,801**	12,445
Net changes in operating assets and liabilities		
Amounts receivable from transactions being settled	**58**	351
Advances to depositors	**314**	(94)
Investment income, accrued and receivable	**(77)**	(251)
Other assets	**(139)**	14
Investments	**(19,625)**	(34,469)
Amounts payable on transactions being settled	**(76)**	(1,080)
Other financial liabilities	**(119)**	99
Investment liabilities	**(3,545)**	5,449
	(1,983)	(5,336)
Cash flows from financing activities		
Net change in commercial paper payable	**566**	612
Issuance of commercial paper payable	**3,200**	1,659
Repayment of commercial paper payable	**(3,350)**	(545)
Net change in loans payable	**(232)**	(86)
Issuance of loans payable	**1**	8
Repayment of loans payable	**(642)**	(206)
Issuance of term notes payable	**–**	2,142
Repayment of term notes payable	**(1,000)**	(2,140)
Net contributions by depositors	**2,065**	1,927
	608	3,371
Net decrease in cash and cash equivalents	**(1,375)**	(1,965)
Cash and cash equivalents at the beginning of the year	**4,040**	6,005
Cash and cash equivalents at the end of the year	**2,665**	4,040
Cash and cash equivalents comprise:		
Cash	**420**	211
Investments		
Short-term investments	**–**	520
Securities purchased under reverse repurchase agreements	**2,245**	3,309
	2,665	4,040
Supplemental information on cash flows from operating activities		
Interest and dividends received	**8,289**	7,472
Interest paid	**(536)**	(620)

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

(Tabular amounts are presented in millions of Canadian dollars, unless otherwise indicated.)

01

CONSTITUTION AND NATURE OF OPERATIONS

La Caisse de dépôt et placement du Québec ("la Caisse"), a legal person established in the public interest within the meaning of the *Civil Code of Québec*, is governed by the *Act respecting the Caisse de dépôt et placement du Québec* (CQLR, chapter C-2) (the "Act").

La Caisse is domiciled in Québec, Canada. Its head office is located at 65 Sainte-Anne, Québec City, Canada and its main office is located at 1000 Place Jean-Paul-Riopelle, Montréal, Canada.

La Caisse's mission is to receive moneys on deposit as provided by the Act and to manage them with a view to achieving an optimal return on capital within the framework of the depositor investment policies while also contributing to Québec's economic development.

CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared for the purposes of presenting la Caisse's financial position, financial performance and cash flows. La Caisse's consolidated financial statements include the accounts of the General Fund, of the individual funds, and of the specialized portfolios as well as the accounts of its subsidiaries that exclusively offer services related to financing and management activities. In preparing the consolidated financial statements, all intercompany transactions and balances have been eliminated.

The investing activities of the depositors in la Caisse's various specialized portfolios are concluded through the participation deposit units of individual funds.

GENERAL FUND

The General Fund comprises cash and cash equivalent activities that include the management of demand deposits, term deposits, and the financing activities of la Caisse.

INDIVIDUAL FUNDS

The individual funds consist mainly of diversified investments in specialized portfolios. Each individual fund is dedicated to a single depositor who invests in the participation deposits of individual funds.

The individual funds of depositors are as follows:

Fund 300: Québec Pension Plan Fund, administered by the Régie des rentes du Québec
Fund 301: Government and Public Employees Retirement Plan, administered by the Commission administrative des régimes de retraite et d'assurances
Fund 302: Pension Plan of Management Personnel, administered by the Commission administrative des régimes de retraite et d'assurances
Fund 303: Special Plans Fund, administered by the Commission administrative des régimes de retraite et d'assurances
Fund 305: Pension Plan of Elected Municipal Officers, administered by the Commission administrative des régimes de retraite et d'assurances
Fund 306: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à prestations déterminées, administered by the Comité de retraite and delegated pension manager Aon Hewitt
Fund 307: Fonds d'assurance automobile du Québec, administered by the Société de l'assurance automobile du Québec
Fund 311: Supplemental Pension Plan for Employees of the Québec Construction Industry – General Account, administered by the Commission de la construction du Québec
Fund 312: Supplemental Pension Plan for Employees of the Québec Construction Industry – Retirees Account, administered by the Commission de la construction du Québec
Fund 313: Supplemental Pension Plan for Employees of the Québec Construction Industry – Supplementary Account, administered by the Commission de la construction du Québec
Fund 314: Deposit Insurance Fund, administered by the Autorité des marchés financiers
Fund 315: Dedicated account, administered by La Financière agricole du Québec
Fund 316: Retirement Plans Sinking Fund – RREGOP, administered by the ministère des Finances, Government of Québec
Fund 317: Retirement Plans Sinking Fund – PPMP, administered by the ministère des Finances, Government of Québec
Fund 318: Retirement Plans Sinking Fund – Others, administered by the ministère des Finances, Government of Québec
Fund 326: Crop Insurance Fund, administered by La Financière agricole du Québec
Fund 328: Survivor's Pension Plan, administered by the SSQ Groupe Financier
Fund 329: Fonds d'assurance-garantie, administered by the Régie des marchés agricoles et alimentaires du Québec
Fund 330: Fonds de la santé et de la sécurité du travail, administered by the Commission de la santé et de la sécurité du travail

CONSTITUTION AND NATURE OF OPERATIONS (cont.)

Fund 332: Fonds des cautionnements des agents de voyages – cautionnements individuels, administered by the Office de la protection du consommateur

Fund 333: Compensation Fund for Customers of Travel Agents, administered by the Office de la protection du consommateur

Fund 335: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2020, administered by the Comité de retraite and delegated pension manager Aon Hewitt (created October 1, 2014)

Fund 336: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2030, administered by the Comité de retraite and delegated pension manager Aon Hewitt (created October 1, 2014)

Fund 337: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2040, administered by the Comité de retraite and delegated pension manager Aon Hewitt (created October 1, 2014)

Fund 338: Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2050, administered by the Comité de retraite and delegated pension manager Aon Hewitt (created October 1, 2014)

Fund 339: Fonds d'indemnisation des services financiers, administered by the Autorité des marchés financiers (created July 1, 2015)

Fund 340: Régimes de retraite de la Ville de Terrebonne, administered by the Comité de retraite conjoint des Régimes de retraite de la Ville de Terrebonne (created July 1, 2015)

Fund 341: Education and Good Governance Fund – Treasury Fund, administered by the Autorité des marchés financiers (dissolved April 1, 2015)

Fund 342: Régime de retraite de l'Université du Québec, administered by the Comité de retraite du Régime de retraite de l'Université du Québec

Fund 343: Parental Insurance Fund, administered by the Conseil de gestion de l'assurance parentale

Fund 347: Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec, administered by Aon Hewitt

Fund 351: Generations Fund, administered by the ministère des Finances, Government of Québec

Fund 353: Superannuation Plan for the Members of the Sûreté du Québec – Participants' Fund, administered by the Commission administrative des régimes de retraite et d'assurances

Fund 354: Superannuation Plan for the Members of the Sûreté du Québec – Employers' Fund, administered by the ministère des Finances, Government of Québec

Fund 361: Pension Plan of the non-teaching staff of the Commission des écoles catholiques de Montréal, administered by the Commission administrative des régimes de retraite et d'assurances

Fund 362: Régime de retraite pour certains employés de la Commission scolaire de la Capitale, administered by the Commission administrative des régimes de retraite et d'assurances

Fund 363: Régime de retraite des employés de la Ville de Laval, administered by the Comité du Régime de retraite des employés de la Ville de Laval

Fund 367: Territorial Information Fund, administered by the ministère des Finances, Government of Québec

Fund 368: Education and Good Governance Fund – Capitalized Fund, administered by the Autorité des marchés financiers

Fund 369: Accumulated Sick Leave Fund, administered by the ministère des Finances, Government of Québec

Fund 371: Accumulated Sick Leave Fund – ARQ, administered by the Agence du revenu du Québec

Fund 372: Fonds commun de placement des régimes de retraite de l'Université Laval, administered by the Comités de retraite

Fund 373: Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges, administered by the Commission administrative des régimes de retraite et d'assurances

Fund 374: Fiducie globale Ville de Magog, administered by the Comité de retraite mixte

Fund 376: Régime de retraite des employées et employés de la Ville de Sherbrooke, administered by the Comité de retraite des employées et employés de la Ville de Sherbrooke

Fund 378: Pension Plan of Peace Officers in Correctional Services – Employee's Contribution Fund administered by the Commission administrative des régimes de retraite et d'assurances

Fund 383: Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke, administered by the Comité de retraite and delegated pension manager Aon Hewitt

Fund 393: Régime de retraite de la Corporation de l'École Polytechnique, administered by the Comité de retraite (created July 1, 2014)

Fund 395: Retirement Plan for the Mayors and Councillors of Municipalities, administered by the Commission administrative des régimes de retraite et d'assurances (created January 1, 2015)

CONSTITUTION AND NATURE OF OPERATIONS (cont.)

SPECIALIZED PORTFOLIOS

The specialized portfolios consist of common funds in which the individual funds may invest in the form of participation deposits. La Caisse's specialized portfolios are as follows:

- Real Estate (710)
- Canadian Equity (720)[1]
- EAFE Equity (730)[1]
- U.S. Equity (731)[1]
- Emerging Markets Equity (732)[1]
- Global Equity (735) (dissolved April 1, 2014)
- Global Quality Equity (736)[1]
- Short Term Investments (740)
- Real Estate Debt (750)
- Bonds (760)
- Real Return Bonds (762)
- Long Term Bonds (764)
- Asset Allocation (771)
- ABTN (772)
- Active Overlay Strategies (773)
- Private Equity (780)
- Infrastructure (782)

02

SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The accounting policies described below have been applied consistently to all reporting periods presented.

PRESENTATION AND MEASUREMENT BASIS

La Caisse measures financial instruments, including investments in unconsolidated subsidiaries, joint ventures, associates and structured entities at fair value through profit or loss. Subsidiaries that solely provide services related to financing activities and administrative and management services are consolidated in accordance with the guidance set out in IFRS 10 – *Consolidated Financial Statements*.

La Caisse's Consolidated Statement of Financial Position is presented based on liquidity.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements of la Caisse were approved by the Board of Directors on February 23, 2016.

FUNCTIONAL AND PRESENTATION CURRENCY

La Caisse's consolidated financial statements are presented in Canadian dollars, which is the functional currency.

FOREIGN CURRENCY TRANSLATION

Financial assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the reporting date. Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date.

Translation differences on investments and investment liabilities are presented under "Net unrealized gains" in the Consolidated Statement of Comprehensive Income. When an investment is sold or investment liability settled, the gain or loss on foreign currency translation is presented under "Net realized gains" in the Consolidated Statement of Comprehensive Income. Translation differences on monetary items are included under "Net gains on financial instruments at fair value" in the Consolidated Statement of Comprehensive Income.

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1. As part of the Strategic investment planning, la Caisse recommended to depositors that changes be made to the portfolio offering. Consequently, on January 1, 2016, the specialized equity portfolios were combined into the new Equity Markets specialized portfolio (737). On that date, all assets and liabilities of the specialized equity portfolios were combined into this new specialized portfolio. This grouping of specialized portfolios did not have any impact on net assets and on comprehensive income attributable to depositors.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

USE OF JUDGMENTS AND ESTIMATES

In preparing la Caisse's consolidated financial statements in accordance with IFRS, management must make judgments, estimates and assumptions that affect the application of the significant accounting policies described below and the amounts reported in the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income.

JUDGMENT

Qualification as an investment entity
Judgment is required when qualifying la Caisse as an investment entity. La Caisse meets the three mandatory criteria of the IFRS 10 definition: 1) Obtain funds from one or more depositors; 2) Commit to its depositors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and 3) Measure and evaluate the performance of its investments on a fair value basis.

IFRS 10 also suggests four typical characteristics be considered in assessing whether an entity qualifies as an investment entity: 1) Have more than one investment; 2) Have more than one depositor; 3) Have investors that are not related parties; and 4) Have ownership interests in the form of equity or similar interests. Although la Caisse does not satisfy the third typical characteristic of an investment entity because la Caisse and the depositors are related, la Caisse nonetheless qualifies as an investment entity, as management believes that having depositors related to the investment entity does not compromise la Caisse's mission of investing for returns from capital appreciation, investment income, or both, for its depositors.

Fair value hierarchy of financial instruments
Management must use judgment in determining the significance of each input used when establishing the classification into the fair value hierarchy, as explained in Note 7.

Interests in entities
Management must use judgment in determining whether la Caisse has control, joint control or significant influence over certain entities, as explained in Note 17, and over the holding of interests in structured entities. Judgment on the relationship between la Caisse and any entity in which la Caisse holds an interest is exercised upon initial investment and must be reassessed when facts and circumstances indicate that there are one or more changes to the elements of control.

La Caisse holds interests in a structured entity when voting or similar rights are not the dominant factor in deciding who controls the entity.

La Caisse controls a subsidiary, including a structured entity, only if the IFRS 10 criteria are met: 1) It has decision-making authority regarding the entity's relevant activities; 2) It has exposure or rights to variable returns from its involvement with the entity; and 3) It has the ability to use its power to affect the amount of the returns. When management determines decision-making authority, several factors are taken into account, including the existence and effect of actual and potential voting rights held by la Caisse that are exercisable, the holding of instruments that are convertible into voting shares, the existence of contractual agreements through which the relevant activities of the entity can be directed, as well as other circumstances that affect decision-making.

La Caisse has significant influence over an associate when it has the power to participate in the financial and operating policy decisions of the entity. La Caisse is deemed to have significant influence when it holds 20% or more of the voting rights of an entity but does not have control or joint control. La Caisse has joint control over a joint venture when there is a contractual or implicit arrangement whereby decisions about relevant activities require the unanimous consent of the parties sharing control and when these parties have rights to the net assets of the arrangement.

ESTIMATES AND ASSUMPTIONS

The main estimates and assumptions, which are presented in Note 7, involve the fair value measurement of investments and investment liabilities classified in Level 3 of the fair value hierarchy. Actual values may differ from the estimated values.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

FINANCIAL INSTRUMENTS

La Caisse's financial instruments include cash, amounts receivable from transactions being settled, advances to depositors, accrued and receivable investment income, investments, amounts payable on transactions being settled, other financial liabilities, investment liabilities and net assets attributable to depositors.

CLASSIFICATION AND MEASUREMENT

Financial instruments are classified by category based on their nature and characteristics. Management determines classification upon initial recognition, which is the acquisition date. All of la Caisse's financial instruments are designated at fair value through profit or loss and measured at fair value, except for derivative financial instruments and securities sold short, which must be classified as held for trading and are measured at fair value. Management elected to designate all other financial instruments at fair value through profit or loss given that these instruments are managed and their performance evaluated on a fair value basis.

Financial instruments are initially and subsequently recognized at fair value. Changes in the fair value of financial instruments are presented under "Net unrealized gains" in the Consolidated Statement of Comprehensive Income. Investment income and investment expense are presented under "Net investment income" in the Consolidated Statement of Comprehensive Income.

FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Upon initial recognition, the best evidence of the fair value of a financial instrument is the transaction price, which is the fair value of the consideration received or given. Subsequently, the fair value of financial instruments is obtained using quoted prices in active markets. When there are no quoted prices, fair value is determined using valuation techniques based on observable and unobservable inputs. La Caisse applies appropriate valuation techniques based on a financial instrument's characteristics, the availability of inputs, and the assumptions that would be used by market participants, focusing on maximizing the use of relevant observable inputs while minimizing the use of unobservable inputs. The valuation techniques are applied consistently. Fair value information is provided in Note 7.

Cash
Cash is the cash deposited with recognized financial institutions and bears interest at market rates.

Investments
Investments include cash equivalents, fixed-income securities, variable-income securities, interests in unconsolidated subsidiaries and derivative financial instruments.

Cash equivalents include short-term investments and securities purchased under reverse repurchase agreements. These securities meet the definition of cash equivalents because they are used for cash management purposes, are readily convertible into a known amount of cash, have negligible risk of fair value changes and have initial maturities of three months or less. These financial instruments bear interest at market rates.

Fixed-income securities include short-term investments, securities purchased under reverse repurchase agreements, corporate receivables, bonds and asset-backed term notes (ABTNs). Purchases and sales of fixed-income securities are recorded at the transaction date.

Variable-income securities include the equities and convertible securities of public companies, private companies, including private investment funds and infrastructure funds, as well as hedge funds. Purchases and sales of equities and convertible securities are recorded at the transaction date, whereas purchases and sales of private investment funds, infrastructure funds and hedge funds are recorded at the settlement date.

Interests in unconsolidated subsidiaries represent la Caisse's investment in controlled entities that are not consolidated under IFRS 10. La Caisse's investment in these entities may be in the form of equities or debt instruments.

Investment liabilities
Investment liabilities include securities sold under repurchase agreements, securities sold short, commercial paper payable, loans payable, term notes payable and derivative financial instruments.

Securities sold short are commitments made by la Caisse to purchase securities from third parties to cover its positions. La Caisse may short-sell equities, short-term investments and bonds.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

Derivative financial instruments
In managing its investments, la Caisse conducts transactions involving various derivative financial instruments to manage the risks associated with exchange rate, interest rate and market fluctuations. Derivative financial instruments whose fair value is favourable are presented under "Investments" in the Consolidated Statement of Financial Position, while those whose fair value is unfavourable are presented under "Investment liabilities" in the Consolidated Statement of Financial Position.

La Caisse does not use hedge accounting but may use derivative financial instruments to economically hedge certain financial risks. When la Caisse identifies a hedging relationship, the realized gains or losses on the derivative financial instrument corresponding to the hedging relationship are reclassified as investment income or expense arising from the economically hedged instrument.

Transactions being settled
Transactions with counterparties for the sale or purchase of securities that have not yet been settled at the reporting date are presented respectively under "Amounts receivable from transactions being settled" and "Amounts payable on transactions being settled" in the Consolidated Statement of Financial Position.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

La Caisse derecognizes financial assets when all of the contractual rights to the assets have expired or when the contractual rights to receive the cash flows from the financial assets have been transferred and when la Caisse has transferred substantially all of the risks and rewards of the financial asset such that it no longer retains control over the asset. If la Caisse considers that it retains substantially all of the risks and rewards of a transferred financial asset, that asset is not derecognized from the Consolidated Statement of Financial Position and, if appropriate, a corresponding financial liability is recorded. Financial assets that have been transferred but not derecognized are presented in Note 14. Financial liabilities are derecognized when the related obligation is discharged, cancelled or expired.

Securities purchased under reverse repurchase agreements and sold under repurchase agreements
La Caisse enters into transactions to purchase and sell securities, i.e., short-term investments and bonds, that it agrees to resell to or repurchase from the counterparty at a future date.

The purchased securities are not recognized in the Consolidated Statement of Financial Position because the counterparty retains the risks and rewards of the securities. The cash amounts disbursed are derecognized, and a corresponding asset is recorded in investments under "Securities purchased under reverse repurchase agreements."

The sold securities are not derecognized from the Consolidated Statement of Financial Position because la Caisse retains the risks and rewards of the securities. The cash amounts received are recognized, and a corresponding liability is recorded in investment liabilities under "Securities sold under repurchase agreements."

The difference between the purchase price and the resale price as well as the difference between the sale price and the repurchase price are respectively recorded as interest income and interest expense calculated using the effective interest method and are presented under "Investment income" and "Investment expense" in the Consolidated Statement of Comprehensive Income.

Lending and borrowing of securities
La Caisse conducts securities lending and borrowing transactions involving equities. These transactions are generally guaranteed by the securities received from the counterparties or pledged by la Caisse, respectively. Loaned securities are not derecognized from, and borrowed securities are not recognized in, the Consolidated Statement of Financial Position because la Caisse or the counterparty, respectively, retains the risks and rewards of the securities. Income and expenses resulting from securities lending and borrowing transactions are presented under "Investment income" and "Investment expense," respectively, in the Consolidated Statement of Comprehensive Income.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are presented on a net basis when there is a legally enforceable right of set-off and la Caisse intends to settle on a net basis or to realize the asset and settle the liability simultaneously. Information on the offsetting of financial assets and liabilities is presented in Note 8.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

Net assets attributable to depositors consist of demand deposits, term deposits, distributions payable to depositors and participation deposits.

Demand deposits and term deposits
Demand deposits bear interest at a variable rate and are repayable on demand. Term deposits bear interest at a fixed or variable rate and are repayable at maturity. Demand deposits and term deposits represent la Caisse's indebtedness towards the depositors in accordance with the *Regulation respecting the terms and conditions of deposits, funds and portfolios of the Caisse de dépôt et placement du Québec* (Regulation).

Distributions payable to depositors
Under the Regulation, distributions payable to depositors represent the net income or net loss arising from the specialized portfolios as well as the net realized gains or losses upon cancellation of the participation units of specialized portfolios held by the individual funds that are recorded at the end of the month and that are paid into the demand deposit accounts of depositors at the beginning of the following month. Distributions may also be made through the issuance of participation deposit units of individual funds.

Participation deposits
Participation deposits are expressed in participation units for each individual fund. Each participation unit gives the holder an interest in the fund's net assets. The per-unit value of the net assets is determined by dividing the individual fund's net assets by the number of outstanding units. Depositors can purchase or cancel participation deposit units at that value at the beginning of each month. The difference between the proceeds of cancellation and the carrying value at issuance is recovered in the depositor's demand deposit account. In addition, holders of participation deposit units are entitled to receive distributions. Participation deposit units are financial instruments defined as depositor's equity in the Regulation and are subordinate to all other categories of financial liabilities.

NET INCOME

DIVIDEND AND INTEREST INCOME AND EXPENSE

Dividend income is recognized when la Caisse obtains the right to the dividend, generally on the ex-dividend date. Dividend expense from equities sold short is recorded when the shareholders obtain the right to the dividend.

Interest income and expense are recorded using the effective interest method, which allows a constant interest rate to be maintained until maturity. Interest income and expense include the amortization of the premium or discount.

Dividend and interest income and expense are presented, respectively, under "Investment income" and "Investment expense" in the Consolidated Statement of Comprehensive Income.

EXTERNAL MANAGEMENT FEES

External management fees are amounts paid to external financial institutions, mainly institutional fund managers active in international stock markets, for the management of funds owned by la Caisse. The base fees and performance-related fees of external managers are presented under "Investment expense" and "Net realized gains," respectively, in the Consolidated Statement of Comprehensive Income.

INCOME TAX

Under federal and provincial income tax legislation, la Caisse is exempt from income tax in Canada. Income from foreign affiliates is subject to withholding taxes in certain countries. Withholding taxes are presented under "Net investment income" in the Consolidated Statement of Comprehensive Income.

OPERATING EXPENSES

Operating expenses consist of all the expenses incurred to manage and administer la Caisse's investments and are presented separately in the Consolidated Statement of Comprehensive Income.

SIGNIFICANT ACCOUNTING POLICIES (cont.)

NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

When investments are sold, the realized gains and losses are determined on a first in, first out basis. Gains and losses realized on investments represent the difference between net realizable value and acquisition cost. Gains and losses realized on investment liabilities represent the difference between settlement value and value at initial recognition. Gains and losses realized on derivative financial instruments represent the payments and receipts on these financial instruments. Realized gains and losses are presented under "Net realized gains" in the Consolidated Statement of Comprehensive Income. Transaction costs directly attributable to the acquisition, sale and issuance of a financial instrument are presented under "Net realized gains" in the Consolidated Statement of Comprehensive Income. Transaction costs include commissions, stock exchange fees as well as professional and legal fees related to investing and financing activities.

Unrealized gains and losses include the net changes in the fair value of investments and investment liabilities for the year as well as the reversal of prior-year unrealized gains and losses that were realized during the year. Unrealized gains and losses are presented under "Net unrealized gains" in the Consolidated Statement of Comprehensive Income.

DISTRIBUTIONS TO DEPOSITORS

Under the Regulation, distributions to depositors consist of the annual net income or loss from the specialized portfolios as well as the net gains or losses realized on the cancellation of participation units of the specialized portfolios held by the individual funds. Distributions to depositors are recorded as finance costs and presented separately in the Consolidated Statement of Comprehensive Income.

03

NEW IFRS STANDARDS

ISSUED AS AT DECEMBER 31, 2015 BUT NOT YET EFFECTIVE

IAS 1 – Presentation of Financial Statements: Effective date – January 1, 2016

In December 2014, the IASB issued *Disclosure Initiative (Amendments to IAS 1)* as part of its initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 relate to materiality, the order of notes, and guidance on subtotals, accounting policies and disaggregation. The objective of the amendments is to ensure that entities are able to apply more professional judgment. The adoption of this standard will not have any significant impact on the presentation of the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers: Effective Date – January 1, 2018

In May 2014, the IASB issued a new standard, IFRS 15 – *Revenue from Contracts with Customers*, which will replace the current revenue recognition standards and interpretations. IFRS 15 provides a single comprehensive model to use when recognizing revenue arising from contracts with customers. The new model applies to all contracts with customers except those that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments. This new standard is to be applied retrospectively as of its effective date. The impact of adopting this standard is being examined.

IFRS 9 – Financial Instruments: Effective Date – January 1, 2018

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments*, which will replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities as well as the impairment of financial assets and hedge accounting.

IFRS 9 provides a single model for financial asset classification and measurement that is based on contractual cash flow characteristics and on the business model for holding financial assets. With respect to measuring financial liabilities designated at fair value through profit or loss, the standard prescribes that fair value changes attributable to an entity's own credit risk be accounted for in other comprehensive income unless such a treatment would create or increase an accounting mismatch in net income.

IFRS 9 also introduces a new impairment model for financial assets not measured at fair value through profit or loss that requires recognition of expected credit losses rather than incurred losses as applied under the current standard. As for the new hedge accounting model, it provides better alignment of hedge accounting with risk management activities.

The IASB has authorized early adoption of these new requirements. In general, this new standard is to be applied retrospectively as of its effective date. The impact of adopting this standard is being examined.

04

INVESTMENTS AND INVESTMENT LIABILITIES

A) INVESTMENTS

The following tables present the fair values and costs of the investments. The geographic allocation is determined according to the country of the issuer's principal place of business. The allocation of interests in unconsolidated subsidiaries is determined according to the country of the underlying investments, while the allocation of derivative financial instruments is determined according to the currency in which the instrument will be settled.

				December 31, 2015
	Canada	Foreign	Fair value	Cost
Investments				
Cash equivalents				
Securities purchased under reverse repurchase agreements	2,245	–	**2,245**	**2,245**
Total cash equivalents	2,245	–	**2,245**	**2,245**
Fixed-income securities				
Short-term investments	744	140	**884**	**893**
Securities purchased under reverse repurchase agreements	2,742	3,700	**6,442**	**6,436**
Corporate receivables	1,277	1,727	**3,004**	**2,811**
Bonds				
Governments	48,259	4,624	**52,883**	**51,404**
Government corporations and other public administrations	6,511	672	**7,183**	**6,929**
Corporate sector	11,970	7,777	**19,747**	**18,445**
ABTNs	4,612	–	**4,612**	**4,747**
Total fixed-income securities	76,115	18,640	**94,755**	**91,665**
Variable-income securities				
Equities and convertible securities				
Public companies	27,610	68,894	**96,504**	**75,495**
Private companies	2,258	11,774	**14,032**	**11,636**
Hedge funds	24	3,660	**3,684**	**2,615**
Total variable-income securities	29,892	84,328	**114,220**	**89,746**
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	17,410	21,289	**38,699**	**21,601**
Investments in real estate debt	10,982	–	**10,982**	**10,770**
Private equity investments	2,262	7,628	**9,890**	**6,309**
Infrastructure investments	858	10,245	**11,103**	**9,091**
Other investments	397	3,369	**3,766**	**3,309**
Total interests in unconsolidated subsidiaries	31,909	42,531	**74,440**	**51,080**
Derivative financial instruments *(Note 6)*	150	1,035	**1,185**	**172**
Total investments	140,311	146,534	**286,845**	**234,908**

INVESTMENTS AND INVESTMENT LIABILITIES (cont.)

				December 31, 2014
	Canada	Foreign	Fair value	Cost
Investments				
Cash equivalents				
Short-term investments	520	–	520	520
Securities purchased under reverse repurchase agreements	3,309	–	3,309	3,309
Total cash equivalents	3,829	–	3,829	3,829
Fixed-income securities				
Short-term investments	634	167	801	801
Securities purchased under reverse repurchase agreements	10,998	5,064	16,062	16,091
Corporate receivables	1,188	789	1,977	1,974
Bonds				
Governments	48,509	2,283	50,792	49,309
Government corporations and other public administrations	6,854	736	7,590	7,278
Corporate sector	12,400	4,948	17,348	16,463
ABTNs	9,236	–	9,236	9,416
Total fixed-income securities	89,819	13,987	103,806	101,332
Variable-income securities				
Equities and convertible securities				
Public companies	23,518	60,804	84,322	65,596
Private companies	1,805	9,859	11,664	10,729
Hedge funds	103	2,951	3,054	2,545
Total variable-income securities	25,426	73,614	99,040	78,870
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	17,441	15,191	32,632	19,796
Investments in real estate debt	10,249	–	10,249	10,166
Private equity investments	2,335	5,913	8,248	5,785
Infrastructure investments	931	6,438	7,369	6,389
Other investments	18	2,319	2,337	2,152
Total interests in unconsolidated subsidiaries	30,974	29,861	60,835	44,288
Derivative financial instruments *(Note 6)*	353	941	1,294	1,352
Total investments	150,401	118,403	268,804	229,671

EQUITIES IN GROWTH MARKETS

La Caisse was granted Qualified Foreign Institutional Investor status and obtained an investment quota to access the Chinese capital markets. Although la Caisse has a long-term investment strategy, it must meet the conditions set by the regulatory authorities in the event of a repatriation of invested capital. As at December 31, 2015, the fair value of investments in securities amounts to $1,362 million ($983 million as at December 31, 2014).

INVESTMENTS AND INVESTMENT LIABILITIES (cont.)

B) INVESTMENT LIABILITIES

The following tables present the fair values and costs of the investment liabilities. The geographic allocation of non-derivative financial liabilities is determined using the country of the issuer's principal place of business, while the allocation of derivative financial instruments is determined according to the currency in which the instrument will be settled.

				December 31, 2015
	Canada	Foreign	**Fair value**	**Cost**
Investment liabilities				
Non-derivative financial liabilities				
Securities sold under repurchase agreements	14,575	3,921	**18,496**	**18,488**
Securities sold short				
Equities	809	1,052	**1,861**	**1,433**
Bonds	22	4,306	**4,328**	**4,099**
Commercial paper payable	3,775	–	**3,775**	**3,669**
Loans payable	–	116	**116**	**116**
Term notes payable	9,899	–	**9,899**	**7,293**
Total non-derivative financial liabilities	29,080	9,395	**38,475**	**35,098**
Derivative financial instruments *(Note 6)*	440	2,124	**2,564**	**137**
Total investment liabilities	29,520	11,519	**41,039**	**35,235**

				December 31, 2014
	Canada	Foreign	Fair value	Cost
Investment liabilities				
Non-derivative financial liabilities				
Securities sold under repurchase agreements	14,345	2,206	16,551	16,560
Securities sold short				
Equities	5,835	1,757	7,592	5,711
Bonds	1,069	4,160	5,229	4,924
Commercial paper payable	3,314	–	3,314	3,253
Loans payable	637	363	1,000	989
Term notes payable	9,814	–	9,814	8,291
Total non-derivative financial liabilities	35,014	8,486	43,500	39,728
Derivative financial instruments *(Note 6)*	322	1,102	1,424	170
Total investment liabilities	35,336	9,588	44,924	39,898

05

ALLOCATION OF NET ASSETS ATTRIBUTABLE TO DEPOSITORS

The following table presents the allocation of net assets attributable to depositors according to la Caisse's total specialized portfolios offering:

	December 31, 2015	December 31, 2014
Fixed income		
Short Term Investments	**4,584**	6,830
Bonds	**67,860**	62,870
Long Term Bonds	**2,390**	2,208
Real Estate Debt	**11,300**	10,441
	86,134	82,349
Inflation-sensitive investments		
Real Return Bonds	**1,090**	980
Infrastructure	**12,957**	10,133
Real Estate	**26,955**	22,878
	41,002	33,991
Equities		
Canadian Equity	**22,389**	24,564
U.S. Equity	**10,580**	10,263
EAFE Equity	**10,862**	9,510
Emerging Markets Equity	**13,705**	11,805
Global Quality Equity	**33,918**	28,354
Private Equity	**26,099**	22,396
	117,553	106,892
Other investments		
Asset Allocation	**1,810**	1,603
ABTN	**102**	30
Active Overlay Strategies	**454**	533
	2,366	2,166
Customized strategies of individual funds[1] and cash activities	**970**	453
Net assets attributable to depositors	**248,025**	225,851

[1] The customized strategies consist of direct holdings of derivative financial instruments by the individual funds for the customized management of the desired exposure by each depositor.

06

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts whose value fluctuates according to an underlying item, which require very little or no initial investment and are settled at a future date. The underlying item may be of a financial nature (interest rate, foreign currency or stock market security or index) or may be a commodity (precious metal, produce or oil). Certain derivative financial instruments are settled through clearing houses. La Caisse uses, among others, the derivative financial instruments described below.

Forward contracts are commitments that enable the purchase or sale of an underlying item, the quantity and price of which are determined in the contract, which includes a predetermined maturity date. Forward contracts have customized terms and conditions negotiated directly between the parties on the over-the-counter market. Futures contracts have terms and conditions determined by an exchange market.

Swaps are derivatives traded on over-the-counter markets whereby two parties agree to exchange a series of cash flows according to predetermined conditions that include a notional amount, payment dates and a term to maturity.

Options are contracts traded on over-the-counter or exchange markets and that give the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index or commodity at a strike price stipulated in advance, either at a determined future date or at any time before a specified maturity date.

Warrants are contracts traded on over-the-counter or exchange markets that enable the purchase of an underlying item, the price of which is determined in the contract, which includes a predetermined maturity date.

The notional amount is the amount to which a rate or price is applied to determine the amounts of cash flows to be exchanged periodically.

The following table presents the fair values and the notional amounts of the derivative financial instruments held by la Caisse:

	December 31, 2015			December 31, 2014		
	Fair value			Fair value		
	Assets	**Liabilities**	**Notional amount**	Assets	Liabilities	Notional amount
Exchange markets						
Interest rate derivatives						
Futures contracts	–	–	**41,548**	–	–	11,063
Options	–	–	–	6	(1)	8,591
Equity derivatives						
Futures contracts	–	–	**5,944**	–	–	6,678
Options	**29**	**(20)**	**1,610**	14	(3)	461
Warrants	**3**	–	**40**	5	–	32
Commodity derivatives						
Futures contracts	–	–	**115**	–	–	–
Options	**1**	**(1)**	**426**	1	–	47
Total exchange markets	**33**	**(21)**	**49,683**	26	(4)	26,872

DERIVATIVE FINANCIAL INSTRUMENTS (cont.)

	December 31, 2015			December 31, 2014		
	Fair value		Notional amount	Fair value		Notional amount
	Assets	**Liabilities**		Assets	Liabilities	
Over-the-counter markets						
Interest rate derivatives						
Swaps	502	(403)	16,293	442	(314)	18,034
Swaps settled through a clearing house	–	–	42,445	–	–	41,723
Options	45	(27)	17,130	78	(70)	59,488
Currency derivatives						
Swaps	29	(171)	3,212	36	(98)	12,039
Forward contracts[1]	450	(1,769)	59,625	371	(830)	44,692
Options	20	(12)	2,136	42	(25)	1,672
Credit default derivatives						
Swaps	–	–	42	–	–	31,506
Swaps settled through a clearing house	–	–	–	–	–	2,340
Equity derivatives						
Swaps	106	(161)	6,986	290	(83)	17,136
Warrants	–	–	3	9	–	10
Total over-the-counter markets	1,152	(2,543)	147,872	1,268	(1,420)	228,640
Total derivative financial instruments	1,185	(2,564)	197,555	1,294	(1,424)	255,512

[1] When foreign exchange risk management transactions involve simultaneous use of the U.S. dollar and other currencies, the notional amount is presented on a gross basis. As at December 31, 2015, contracts involving simultaneous use of the U.S. dollar and other currencies total $14,395 million ($16,698 million as at December 31, 2014).

07

FAIR VALUE MEASUREMENT

A) POLICIES, DIRECTIVES AND PROCEDURES RELATED TO FAIR VALUE MEASUREMENT

La Caisse's valuation procedures are governed by the *Caisse Investment Valuation Policy*, which is approved by the Board of Directors. This general policy is further supported by valuation directives that stipulate the valuation methodology to be used for each type of investment held by la Caisse. The policy and directives also establish governance for the valuation and reporting process. Application of the policy is the responsibility of the Valuation Committee, which reports to the Executive Committee and is supported by a valuation team. The Valuation Committee approves directives, compliance with the policy, and the fair values determined semi-annually. It then recommends these fair values to the Audit Committee. For valuations of private equity investments and infrastructure investments, the policy provides for an external review of substantially all the fair values of these investments over a four-year period. An external review includes a valuation by independent valuators or an observation of comparable transactions in the market.

The policy also includes directives to be followed when using prices from external sources such as broker quotes and net asset values provided by external administrators of the funds or general partners.

When fair value is determined by external valuators or third parties, the Valuation Committee verifies the qualifications, experience and independence of these parties. It also reviews the valuation techniques, the significant inputs used in calculating fair value, and the results and conclusions to ensure that they are in compliance with recognized valuation standards.

In addition, to ensure the reasonableness of the fair value determined, la Caisse may conduct backtesting, compare the established fair value with values of comparable transactions, including the values of comparable public companies, and rely on the services of external valuators.

B) FAIR VALUE VALUATION TECHNIQUES

The following paragraphs describe the main valuation techniques used to measure la Caisse's financial instruments.

SHORT-TERM INVESTMENTS, SECURITIES PURCHASED UNDER REVERSE REPURCHASE AGREEMENTS, CORPORATE RECEIVABLES, SECURITIES SOLD UNDER REPURCHASE AGREEMENTS, COMMERCIAL PAPER PAYABLE, LOANS PAYABLE AND TERM NOTES PAYABLE

The fair value of these financial assets and liabilities is determined using a discounted cash flow technique that primarily uses observable inputs such as the interest rate curves and credit spreads that make up the discount rates.

BONDS

The fair value of bonds is determined using prices published by brokers in active markets for identical or similar instruments. The fair value of bonds that have no published prices is determined using either a discounted cash flow technique or broker quotes. Discounted cash flow valuations use observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates.

La Caisse may also use information about recent transactions carried out in the market for valuations of private company bonds.

Certain bond valuations are reviewed semi-annually by an independent external firm.

ABTNs

The fair value of MAV 1 ABTNs and of certain ABTNs excluded from the restructuring agreement is determined according to a recognized financial model. The fair value of derivative financial instruments used as economic hedges for ABTNs is determined according to this same financial model. This technique uses observable and unobservable inputs such as credit spreads, correlation factors and illiquidity premiums. These values are based on observable inputs for similar financial instruments but are adjusted significantly to reflect the specific characteristics of the instrument.

The fair value of the other ABTNs is determined primarily on the basis of external valuations received from the administrator of the MAV trusts and broker quotes that stem from recognized financial models.

The ABTN valuations are reviewed semi-annually by an independent external firm.

FAIR VALUE MEASUREMENT (cont.)

EQUITIES AND CONVERTIBLE SECURITIES

Public companies
The fair value of equities and convertible securities of public companies is determined based on closing prices observed on major stock exchanges, which represent the active market.

Private companies
The fair value of equities of private equity investment companies is primarily determined according to the comparable company multiples technique. La Caisse identifies comparable companies based on their industry, size, financial position and strategy and calculates an appropriate multiple for each comparable company identified. This technique uses observable and unobservable inputs such as earnings before interest, taxes, depreciation and amortization (EBITDA) multiples and price-to-book value ratios.

The fair value of equities of private infrastructure investment companies is primarily determined using the discounted cash flow technique. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows.

La Caisse may also use information about recent transactions carried out in the market for valuations of private equity investments and infrastructure investments.

The fair value of private investment funds and infrastructure funds is determined based on the fair value of the net assets in the most recent financial statements provided by the general partner. La Caisse ensures that the valuation techniques used to determine the fair value of the net assets are in compliance with IFRS. Moreover, the fair value of net assets is adjusted to reflect the purchases and sales of fund units carried out between the fund's financial statement date and the valuation date or when other judgmental factors indicate that this value differs from the fair value provided by the general partner.

Certain valuations of private companies are reviewed semi-annually by an independent external firm.

Hedge funds
The fair value of hedge funds is determined according to the net assets provided by the administrator, unless there is an indication that it differs from the value of the net assets provided. La Caisse ensures that the valuation techniques used by the fund administrator to determine the fair value of the net assets are in compliance with IFRS.

INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

The fair value of la Caisse's interests in various unconsolidated subsidiaries is determined using an enterprise valuation technique.

Investments in real estate holdings
The fair value resulting from the enterprise value technique is determined using a commonly used method, i.e., the comparable company multiples method, which is supported by observable and unobservable inputs such as the price-to-book value ratio. This value is determined annually by an independent external firm. Enterprise value reflects, among other things, the fair value of the assets and liabilities held directly by these subsidiaries, which include investment property, other real estate investments and liabilities associated with investment property, as well as the fair value resulting from the quality of the portfolio and the integrated management of the platform of these subsidiaries.

The fair value of interests in the form of debt instruments in these subsidiaries is determined using the discounted cash flow technique, which is supported mainly by observable inputs such as the interest rates and credit spreads that make up the discount rates.

The fair value of investment property, which is measured according to the highest and best use, is determined and certified semi-annually by external, recognized and independent chartered real estate appraisers. Valuations are carried out in compliance with the valuation standards in effect in each market. The valuation techniques used are based primarily on two recognized methodologies, namely, the discounted cash flow technique and the capitalization of future cash flows. These techniques use observable and unobservable inputs such as lease terms and conditions, operating expenses, residual value and rates of return, discount rates and capitalization rates. Values observed for comparable transactions are used to determine the representative fair value range and support the fair value determined. The fair value of real estate investment funds, included in other real estate investments, is determined based on the fair value provided by the general partner or the administrator, while the fair value of public companies is determined based on closing price. The fair value of financial liabilities associated with investment property is determined based on the discounted cash flow technique. This technique uses observable and unobservable inputs such as the interest rates and credit spreads that make up the discount rates.

FAIR VALUE MEASUREMENT (cont.)

Investments in real estate debt
Enterprise value reflects the fair value of the assets held directly by these subsidiaries, which primarily include commercial mortgages. The fair value of interests in these subsidiaries corresponds to the net assets in the audited financial statements.

The fair value of interests in the form of debt instruments in these subsidiaries is determined using the discounted cash flow technique. This valuation primarily uses observable inputs such as the interest rates and credit spreads that make up the discount rates.

The fair value of commercial mortgages is determined using the discounted cash flow technique and are divided into risk categories, according to the loan-to-value ratio, and for which an appropriate discount rate is determined. Commercial mortgage valuations are reviewed semi-annually by an independent external firm.

Private equity investments, infrastructure investments and other investments
The enterprise value is determined using the same valuation techniques as those used to determine the fair value of bonds, equities of private companies, fixed-income securities and hedge funds as described above.

SECURITIES SOLD SHORT

The fair value of bonds and equities that are sold short is determined using the fair value of the security that is sold short. The techniques for valuing these securities have been described above.

DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is determined according to the type of derivative financial instrument. The fair value of derivative financial instruments traded on exchange markets and settled through a clearing house is determined, respectively, using the prices on the major stock exchanges representing the active market and clearing house prices. The fair value of derivative financial instruments traded on over-the-counter markets is determined using recognized and commonly used valuation techniques such as the discounted cash flow technique or other financial models. These techniques require the development and use of assumptions that take into account observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates as well as foreign exchange rate curves, prices of the underlying, and volatility.

NET ASSETS ATTRIBUTABLE TO DEPOSITORS

Demand deposits
The fair value of demand deposits is determined based on their nominal value, as they are repayable at any time at the option of the issuer without penalty.

Term deposits and distributions payable to depositors
The fair value of term deposits and distributions payable to depositors is determined using the discounted cash flow technique. This valuation technique mainly uses observable inputs such as the interest rate curves and credit spreads that make up the discount rates.

Participation deposits
The fair value of depositor participation deposits stems from a valuation of all the financial assets and liabilities held by la Caisse.

C) FAIR VALUE HIERARCHY

La Caisse's financial instruments at fair value through profit or loss are classified according to the below-described fair value hierarchy, based on the lowest level of significant input used in measuring fair value.

Level 1: The fair value calculation of the financial instrument is based on quoted prices (unadjusted) in active markets that the entity can access at the measurement date for identical assets or liabilities.

Level 2: The fair value of the financial instrument is calculated using valuation techniques for which the significant inputs are observable, either directly or indirectly.

Level 3: The fair value of the financial instrument is calculated using valuation techniques for which the significant inputs are unobservable. This level includes financial instruments whose valuation is based on prices observed for similar financial instruments, substantially adjusted to reflect the characteristics specific to the financial instrument being measured and available market data.

Classification into the fair value hierarchy levels is determined upon initial measurement of the financial instrument and is reviewed on each subsequent measurement date. Transfers between levels of the fair value hierarchy are measured at fair value at the beginning of each fiscal year.

FAIR VALUE MEASUREMENT (cont.)

The following tables present an allocation of the fair value of financial instruments into the three levels of the fair value hierarchy:

				December 31, 2015
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Amounts receivable from transactions being settled	–	1,288	–	1,288
Advances to depositors	–	776	–	776
Investment income, accrued and receivable	–	1,226	–	1,226
Investments				
Cash equivalents	–	2,245	–	2,245
Short-term investments	–	882	2	884
Securities purchased under reverse repurchase agreements	–	6,442	–	6,442
Corporate receivables	–	2,996	8	3,004
Bonds	–	78,596	1,217	79,813
ABTNs	–	–	4,612	4,612
Equities and convertible securities				
Public companies	96,261	243	–	96,504
Private companies	–	561	13,471	14,032
Hedge funds	–	3,120	564	3,684
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	–	11,701	26,998	38,699
Investments in real estate debt	–	8,762	2,220	10,982
Private equity investments	–	762	9,128	9,890
Infrastructure investments	–	–	11,103	11,103
Other investments	–	3,766	–	3,766
Derivative financial instruments	29	1,156	–	1,185
	96,290	124,522	69,323	290,135
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	–	1,224	–	1,224
Other financial liabilities	–	529	–	529
Investment liabilities				
Securities sold under repurchase agreements	–	18,496	–	18,496
Securities sold short	1,840	4,328	21	6,189
Commercial paper payable	–	3,775	–	3,775
Loans payable	–	116	–	116
Term notes payable	–	9,899	–	9,899
Derivative financial instruments	20	2,495	49	2,564
	1,860	40,862	70	42,792
Net assets attributable to depositors				
Demand deposits	–	530	–	530
Term deposits	–	5	–	5
Distributions payable to depositors	–	2,118	–	2,118
Participation deposits	–	245,372	–	245,372
	–	248,025	–	248,025

TRANSFERS BETWEEN LEVELS OF THE FAIR VALUE HIERARCHY

During the year ended December 31, 2015, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $679 million were transferred from Level 3 to Level 2, $44 million from Level 2 to Level 3 and $145 million from Level 1 to Level 2.

FAIR VALUE MEASUREMENT (cont.)

				December 31, 2014
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts receivable from transactions being settled	–	1,346	–	1,346
Advances to depositors	–	1,090	–	1,090
Investment income, accrued and receivable	–	1,149	–	1,149
Investments				
Cash equivalents	–	3,829	–	3,829
Short-term investments	–	798	3	801
Securities purchased under reverse repurchase agreements	–	16,062	–	16,062
Corporate receivables	–	1,967	10	1,977
Bonds	–	74,696	1,034	75,730
ABTNs	–	–	9,236	9,236
Equities and convertible securities				
Public companies	84,193	129	–	84,322
Private companies	–	379	11,285	11,664
Hedge funds	–	2,555	499	3,054
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	–	9,776	22,856	32,632
Investments in real estate debt	–	8,072	2,177	10,249
Private equity investments	–	451	7,797	8,248
Infrastructure investments	–	–	7,369	7,369
Other investments	–	2,337	–	2,337
Derivative financial instruments	20	1,265	9	1,294
	84,213	125,901	62,275	272,389
Financial liabilities excluding net assets attributable to depositors				
Amounts payable on transactions being settled	–	1,300	–	1,300
Other financial liabilities	–	648	–	648
Investment liabilities				
Securities sold under repurchase agreements	–	16,551	–	16,551
Securities sold short	7,562	5,229	30	12,821
Commercial paper payable	–	3,314	–	3,314
Loans payable	–	1,000	–	1,000
Term notes payable	–	9,814	–	9,814
Derivative financial instruments	4	1,409	11	1,424
	7,566	39,265	41	46,872
Net assets attributable to depositors				
Demand deposits	–	225	–	225
Term deposits	–	198	–	198
Distributions payable to depositors	–	1,621	–	1,621
Participation deposits	–	223,807	–	223,807
	–	225,851	–	225,851

TRANSFERS BETWEEN LEVELS OF THE FAIR VALUE HIERARCHY

During the year ended December 31, 2014, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $235 million were transferred from Level 3 to Level 2, and $109 million from Level 1 to Level 2.

FAIR VALUE MEASUREMENT (cont.)

D) LEVEL 3: RECONCILIATION BETWEEN OPENING AND CLOSING BALANCES

For financial instruments classified in Level 3 of the hierarchy, reconciliations between the opening and closing balances as at December 31, 2015 and as at December 31, 2014 are as follows:

							2015
	Opening balance (assets/ (liabilities))	**Gains (losses) recognized in comprehensive income[2]**	**Purchases**	**Sales**	**Transfers**	**Closing balance (assets/ (liabilities))**	**Unrealized gains (losses) on financial instruments held at year-end[3]**
Short-term investments	3	(1)	–	–	–	2	(1)
Corporate receivables	10	4	–	(6)	–	8	4
Bonds	1,034	148	580	(567)	22	1,217	133
ABTNs	9,236	43	–	(4,667)	–	4,612	45
Equities and convertible securities	11,784	1,496	3,016	(1,604)	(657)	14,035	1,394
Interests in unconsolidated subsidiaries	40,199	5,133	7,785	(3,668)	–	49,449	4,985
Derivative financial instruments[1]	(2)	(51)	–	4	–	(49)	(49)
Securities sold short	(30)	(2)	11	–	–	(21)	4

							2014
	Opening balance (assets/ (liabilities))	Gains (losses) recognized in comprehensive income[2]	Purchases	Sales	Transfers	Closing balance (assets/ (liabilities))	Unrealized gains (losses) on financial instruments held at year-end[3]
Short-term investments	7	4	–	(8)	–	3	–
Corporate receivables	31	2	–	(23)	–	10	1
Bonds	1,804	66	134	(970)	–	1,034	25
ABTNs	9,752	159	–	(675)	–	9,236	161
Equities and convertible securities	10,960	546	2,258	(1,745)	(235)	11,784	416
Interests in unconsolidated subsidiaries	36,876	3,929	2,784	(3,390)	–	40,199	4,205
Derivative financial instruments[1]	(12)	(35)	–	45	–	(2)	(17)
Securities sold short	(43)	(6)	19	–	–	(30)	4

1. The assets and liabilities related to derivative financial instruments are presented on a net basis.
2. Presented under "Net realized gains" and "Net unrealized gains" in the Consolidated Statement of Comprehensive Income.
3. Presented under "Net unrealized gains" in the Consolidated Statement of Comprehensive Income.

E) LEVEL 3: FAIR VALUE MEASUREMENT BASED ON REASONABLY POSSIBLE ALTERNATIVE ASSUMPTIONS

In certain cases, the assumptions used in the valuation techniques are based on unobservable inputs or observable inputs adjusted significantly to reflect the characteristics specific to the financial instrument being measured. While la Caisse considers its fair value measurements to be appropriate, the use of reasonably possible alternative assumptions could result in different fair values. For a given measurement date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments.

FAIR VALUE MEASUREMENT (cont.)

The following tables present quantitative information on the primary valuation techniques and unobservable inputs for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to the sensitivity analysis in Note 7f as well as those that are excluded from the analysis:

				December 31, 2015
	Fair value	Valuation techniques	Unobservable inputs	Range (weighted average)
Subject to the sensitivity analysis				
Bonds	629	**Discounted cash flows**	**Discount rates**	**9.7% to 15.0% (11.5%)**
ABTNs	4,245	**Financial model**	**Correlation factors**	**27.7% to 99.0% (40.9%)**
			Illiquidity premium	**0.4%**
Equities of private companies				
Private equity investments	3,122	**Comparable company multiples**	**EBITDA multiples**	**6.8 to 17.5 (9.3)**
Infrastructure investments	2,210	**Discounted cash flows**	**Discount rates**	**7.8% to 10.0% (9.2%)**
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	26,998	**Comparable company multiples**	**Price-to-book value ratios**	**1.06**
		Discounted cash flows	**Discount rates**	**5.0% to 14.0% (6.5%)**
			Credit spreads	**0.0% to 13.0% (1.9%)**
		Capitalization of cash flows	**Capitalization rates**	**3.5% to 11.5% (5.3%)**
Private equity investments	1,613	**Comparable company multiples**	**EBITDA multiples**	**6.3 to 11.2 (8.0)**
Infrastructure investments	8,158	**Discounted cash flows**	**Discount rates**	**7.8% to 11.0% (9.1%)**
	46,975			
Excluded from the sensitivity analysis				
Financial instruments[1]	22,278	**Recent transactions[2]**	**n.a.**	**n.a.**
		Broker quotes[3]	**n.a.**	**n.a.**
		Net asset value[4]	**n.a.**	**n.a.**
Net financial instruments classified in Level 3	**69,253**			

n.a.: not applicable

1. The fair value of the financial instruments presented in this item includes short-term investments, corporate receivables, bonds, ABTNs, equities, interests in unconsolidated subsidiaries, derivative financial instruments and securities sold short.
2. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, la Caisse did not conduct a sensitivity analysis.
3. When fair value is determined using broker quotes, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.
4. When fair value is determined based on net asset value, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.

FAIR VALUE MEASUREMENT (cont.)

December 31, 2014

	Fair value	Valuation techniques	Unobservable inputs	Range (weighted average)
Subject to the sensitivity analysis				
Bonds	481	Discounted cash flows	Discount rates	9.7% to 18.0% (11.6%)
ABTNs and derivative financial instruments used as economic hedges	8,548	Financial model	Correlation factors	44.7% to 99.0% (71.1%)
			Illiquidity premium	0.4%
Equities of private companies				
Private equity investments	1,775	Comparable company multiples	EBITDA multiples	5.7 to 12.2 (9.8)
Infrastructure investments	2,247	Discounted cash flows	Discount rates	8.0% to 18.0% (9.7%)
Interests in unconsolidated subsidiaries				
Investments in real estate holdings	22,856	Comparable company multiples	Price-to-book value ratios	1.07
		Discounted cash flows	Discount rates	5.5% to 14.0% (6.8%)
			Credit spreads	0.8% to 4.8% (1.8%)
		Capitalization of cash flows	Capitalization rates	3.5% to 12.5% (5.5%)
Private equity investments	2,822	Comparable company multiples	EBITDA multiples	6.0 to 10.1 (7.5)
Infrastructure investments	6,418	Discounted cash flows	Discount rates	8.0% to 12.3% (9.8%)
	45,147			
Excluded from the sensitivity analysis				
Financial instruments[1]	17,087	Recent transactions[2]	n.a.	n.a.
		Broker quotes[3]	n.a.	n.a.
		Net asset value[4]	n.a.	n.a.
Net financial instruments classified in Level 3	62,234			

n.a.: not applicable

1. The fair value of the financial instruments presented in this item includes short-term investments, corporate receivables, bonds, ABTNs, equities, interests in unconsolidated subsidiaries, derivative financial instruments and securities sold short.
2. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, la Caisse did not conduct a sensitivity analysis.
3. When fair value is determined using broker quotes, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.
4. When fair value is determined based on net asset value, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.

FAIR VALUE MEASUREMENT (cont.)

F) SENSITIVITY ANALYSIS OF FAIR VALUE

The following analysis shows the sensitivity of fair value measurements to reasonably possible alternative assumptions for the significant unobservable inputs presented in the preceding tables of Note 7e. La Caisse identified reasonably possible alternative assumptions using its judgment and knowledge of the markets. The following table shows the increases and decreases in fair value that would result from these alternative assumptions for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to a sensitivity analysis.

	December 31, 2015		December 31, 2014	
	Increase	**Decrease**	Increase	Decrease
Sensitivity of fair value	**3,319**	**(3,040)**	2,592	(2,354)

As at December 31, 2015, the fair value sensitivity analysis shows an increase in fair value of $2,230 million ($1,520 million as at December 31, 2014) and a decrease in fair value of $2,031 million ($1,373 million as at December 31, 2014) attributable to investments in real estate holdings.

There is a correlation between unobservable inputs and the determination of fair value. Therefore, an increase (decrease) in discount rates, credit spreads, capitalization rates, correlation factors and illiquidity premiums would result in a decrease (increase) in fair value. Furthermore, an increase (decrease) in EBITDA multiples and price-to-book value ratios would result in an increase (decrease) in fair value. There is no predictable correlation between unobservable inputs.

08

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability must be offset in the Consolidated Statement of Financial Position when la Caisse has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously with the counterparty. La Caisse has a legally enforceable right of set-off when this right is exercisable in the normal course of business and in the event of default, insolvency or bankruptcy.

Amounts receivable from and amounts payable on transactions being settled, securities purchased under reverse repurchase agreements, securities sold under repurchase agreements and derivative financial instruments traded on over-the-counter markets in accordance with agreements of the *International Swaps and Derivatives Association* (ISDA) are subject to master netting agreements that do not meet the criteria for offsetting in the Consolidated Statement of Financial Position as they give a right of set-off that is enforceable only in the event of default, insolvency or bankruptcy.

Derivative financial instruments traded on exchange markets as well as those settled by clearing houses through brokers satisfy offsetting criteria.

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont.)

The following tables present information about financial assets and liabilities that are offset and not offset in the Consolidated Statement of Financial Position and that are subject to master netting agreements or similar arrangements:

December 31, 2015

	Gross amounts recognized	**Amounts offset**	**Net amounts presented in the Consolidated Statement of Financial Position[1]**	**Amounts subject to master netting agreements**	**Collateral received/ pledged[2]**	**Net amounts**
Financial assets						
Amounts receivable from transactions being settled	**1,288**	**–**	**1,288**	**(757)**	**–**	**531**
Securities purchased under reverse repurchase agreements	**8,687**	**–**	**8,687**	**(7,912)**	**(763)**	**12**
Derivative financial instruments[3]	**1,233**	**(3)**	**1,230**	**(768)**	**(4)**	**458**
	11,208	**(3)**	**11,205**	**(9,437)**	**(767)**	**1,001**
Financial liabilities						
Amounts payable on transactions being settled	**1,224**	**–**	**1,224**	**(609)**	**–**	**615**
Securities sold under repurchase agreements	**18,496**	**–**	**18,496**	**(8,060)**	**(10,434)**	**2**
Derivative financial instruments[3]	**2,619**	**(3)**	**2,616**	**(768)**	**(1,335)**	**513**
	22,339	**(3)**	**22,336**	**(9,437)**	**(11,769)**	**1,130**

December 31, 2014

	Gross amounts recognized	Amounts offset	Net amounts presented in the Consolidated Statement of Financial Position[1]	Amounts subject to master netting agreements	Collateral received/ pledged[2]	Net amounts
Financial assets						
Amounts receivable from transactions being settled	1,346	–	1,346	(987)	–	359
Securities purchased under reverse repurchase agreements	19,371	–	19,371	(12,055)	(7,316)	–
Derivative financial instruments[3]	1,398	(2)	1,396	(900)	(125)	371
	22,115	(2)	22,113	(13,942)	(7,441)	730
Financial liabilities						
Amounts payable on transactions being settled	1,300	–	1,300	(304)	–	996
Securities sold under repurchase agreements	16,551	–	16,551	(12,738)	(3,806)	7
Derivative financial instruments[3]	1,543	(2)	1,541	(900)	(443)	198
	19,394	(2)	19,392	(13,942)	(4,249)	1,201

1. Net amounts presented in the Consolidated Statement of Financial Position or in Notes 4a and 4b.
2. The financial collateral received or pledged cannot include a net amount per counterparty less than zero. The total amounts of financial collateral received or pledged are presented in Note 15.
3. The amounts presented in this item include amounts receivable and payable related to derivative financial instruments presented, respectively, under "Investment income, accrued and receivable" and "Other financial liabilities."

09

NET INVESTMENT INCOME

The following table presents the investment income and expense of the financial instruments at fair value through profit or loss:

	2015			2014		
	Dividend income (expense)	**Interest income (expense)**	**Net investment income**	Dividend income (expense)	Interest income (expense)	Net investment income
Cash management activities	–	**29**	**29**	–	47	47
Investing activities						
Short-term investments	–	**20**	**20**	–	20	20
Securities purchased under reverse repurchase agreements	–	**63**	**63**	–	85	85
Corporate receivables	–	**95**	**95**	–	79	79
Bonds	–	**2,015**	**2,015**	–	2,139	2,139
ABTNs	–	**93**	**93**	–	152	152
Equities and convertible securities	**3,593**	**22**	**3,615**	3,454	22	3,476
Interests in unconsolidated subsidiaries	**1,363**	**817**	**2,180**	612	773	1,385
	4,956	**3,154**	**8,110**	4,066	3,317	7,383
Other income			**21**			34
Total investment income			**8,131**			7,417
Investment liability activities						
Securities sold under repurchase agreements	–	**(75)**	**(75)**	–	(88)	(88)
Securities sold short	**(61)**	**(83)**	**(144)**	(48)	(200)	(248)
Financing activities						
Commercial paper payable	–	**(14)**	**(14)**	–	(15)	(15)
Loans payable	–	**(1)**	**(1)**	–	(8)	(8)
Term notes payable	–	**(372)**	**(372)**	–	(342)	(342)
	(61)	**(545)**	**(606)**	(48)	(653)	(701)
Other expenses						
External management fees			**(21)**			(12)
Total investment expense			**(627)**			(713)
Net investment income			**7,504**			6,704

10

NET INVESTMENT RESULT BEFORE DISTRIBUTIONS TO DEPOSITORS

The following table presents the net investment income, net realized gains (losses) and net unrealized gains (losses) on financial instruments at fair value through profit or loss:

				2015				2014
	Net investment income *(Note 9)*	**Net realized gains (losses)**	**Net unrealized gains (losses)**	Total	Net investment income *(Note 9)*	Net realized gains (losses)	Net unrealized gains (losses)	Total
Cash management activities	**29**	**–**	**–**	**29**	47	–	–	47
Investing activities								
Short-term investments	**20**	**37**	**(9)**	**48**	20	12	122	154
Securities purchased under reverse repurchase agreements	**63**	**541**	**35**	**639**	85	219	(36)	268
Corporate receivables	**95**	**132**	**190**	**417**	79	28	68	175
Bonds	**2,015**	**1,877**	**355**	**4,247**	2,139	1,477	3,200	6,816
ABTNs	**93**	**9**	**45**	**147**	152	(2)	161	311
Equities and convertible securities	**3,615**	**6,281**	**4,304**	**14,200**	3,476	4,400	4,832	12,708
Interests in unconsolidated subsidiaries	**2,180**	**6**	**6,813**	**8,999**	1,385	(37)	5,237	6,585
Net derivative financial instruments	**–**	**(4,559)**	**(102)**	**(4,661)**	–	1,350	(700)	650
Other	**21**	**96**	**–**	**117**	34	54	–	88
	8,131	**4,420**	**11,631**	**24,182**	7,417	7,501	12,884	27,802
Investment liability activities								
Securities sold under repurchase agreements	**(75)**	**(492)**	**(17)**	**(584)**	(88)	(169)	14	(243)
Securities sold short	**(144)**	**(2,362)**	**1,529**	**(977)**	(248)	(1,250)	(489)	(1,987)
Financing activities								
Commercial paper payable	**(14)**	**(417)**	**(45)**	**(476)**	(15)	(67)	(59)	(141)
Loans payable	**(1)**	**(69)**	**11**	**(59)**	(8)	(27)	(19)	(54)
Term notes payable	**(372)**	**–**	**(1,083)**	**(1,455)**	(342)	(52)	(792)	(1,186)
Other								
External management fees	**(21)**	**(6)**	**–**	**(27)**	(12)	(1)	–	(13)
Transaction costs	**–**	**(99)**	**–**	**(99)**	–	(88)	–	(88)
	(627)	**(3,445)**	**395**	**(3,677)**	(713)	(1,654)	(1,345)	(3,712)
	7,504	**975**	**12,026**	**20,505**	6,704	5,847	11,539	24,090
Operating expenses *(Note 11)*				**(396)**				(315)
Net investment result before distributions to depositors				**20,109**				23,775

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OPERATING EXPENSES

The following table presents the operating expenses:

	2015	2014
Salaries and employee benefits	**240**	179
Information technology and professional services	**47**	46
Data services and subscriptions	**16**	14
Rent	**15**	14
Maintenance, equipment and amortization	**43**	34
Other expenses	**22**	17
	383	304
Safekeeping of securities	**13**	11
	396	315

12

RISK IDENTIFICATION AND MANAGEMENT

RISK MANAGEMENT POLICIES, DIRECTIVES AND PROCEDURES RELATED TO INVESTMENT ACTIVITIES

La Caisse is responsible for managing deposits in accordance with service agreements and depositor investment policies, the investment policies for specialized portfolios and the integrated risk management policy. To do so, it has implemented various policies, directives and procedures to oversee the management of the risks relating to its operations.

The integrated risk management policy is adopted by la Caisse's Board of Directors. The purpose of this policy is to promote a rigorous risk management culture and practices that help la Caisse carry out its mission on behalf of its depositors. The integrated risk management policy defines market risk, concentration risk, credit risk, the counterparty risk associated with derivative financial instruments, and financing-liquidity risk.

Specifically, this policy aims to:

- Establish the guiding principles that support la Caisse's integrated risk management framework and promote a sound risk management culture at all levels of the organization;
- Set out the risk management model and governance structure;
- Define the roles and responsibilities of stakeholders;
- Establish oversight of the main risks to which la Caisse is exposed.

La Caisse's governance and risk management are based on the following twelve guiding principles:

- A risk tolerance framework;
- The roles of the Board of Directors and senior executives;
- A client-centric approach that focuses on the needs of depositors;
- A long-term investment strategy;
- Liquidity and financing management;
- In-depth knowledge of assets and markets;
- Independent functions and stakeholder accountability;
- Collaboration for comprehensive risk management;
- Operational excellence;
- Use of derivative financial instruments and counterparty risk management;
- Oversight of new investment activities and new financial instruments;
- A responsible investment framework.

RISK IDENTIFICATION AND MANAGEMENT (cont.)

The levels of control and parties responsible for risk management governance are as follows:

1. Investment groups have the primary responsibility for managing the risks related to their operations;
2. Independent teams and internal committees are responsible for supporting investment group employees and setting appropriate control mechanisms;
3. The Board of Directors and its committees ensure a management framework is adopted, and the Internal Audit group ensures execution and compliance with the established risk management framework.

The integrated risk management policy sets out risk limits and authorization levels for la Caisse as a whole as well as limits applicable to cross-functional activities. In addition, la Caisse develops and periodically reviews the specialized portfolio investment policies that are designed to oversee the work of the specialized portfolio managers. A separate investment policy sets out investment strategy, management style, eligible investments, target returns, benchmark index, and concentration and risk limits.

Furthermore, each investment group must adopt an investment strategy. Strategic investment planning (SIP) seeks to strengthen the decision-making process by achieving a better matching of return to risk when choosing investments. SIP sets future directions, strengthens the collaboration and information sharing processes required to make strategic investment decisions and ensures a better alignment between the directions and strategies. The SIP process is conducted annually and includes the following steps: 1) Diagnostic and strategic directions; 2) Strategic plans; 3) Review and approval and 4) Execution and accountability. Investment plans are presented to the Investment-Risk Committee (IRC) for approval and are communicated to the Executive Committee and Board of Directors.

La Caisse is exposed to various financial risks. Detailed information regarding these risks is presented in the following sections.

MARKET RISK

Market risk is the risk of financial loss arising from fluctuations in the fair value of financial instruments. Volatility in financial instrument prices stems from changes in market risk factors, in particular interest rates, credit rate spreads, exchange rates, share prices and commodity prices. La Caisse uses derivative financial instruments to manage market risks.

La Caisse manages all market risks according to an integrated approach for all specialized portfolios. The main factors contributing to risk, such as industry sector, geographic region and issuer, are taken into account. La Caisse's market risks are managed and calculated according to factors that can influence the fair value of investments and investment liabilities.

La Caisse measures its market risk using Value-at-Risk (VaR), which is based on a statistical estimate of the volatility of the fair value of each position and of correlations between market risk factors. VaR is a statistical estimate of the potential financial loss that could be incurred by la Caisse's actual portfolio, based on a predetermined confidence level and a given exposure period. The market VaR is estimated with a 99% confidence level over an exposure period of one year. To summarize, VaR indicates the level of loss that the actual portfolio of la Caisse could exceed in only 1% of cases. La Caisse estimates VaR for each instrument held in its specialized portfolios and aggregates the information for la Caisse's actual portfolio.

The historical-simulation method is used to measure VaR. This method is based mainly on the assumption that the future will be similar to the past. It requires that historical data series on all the risk factors needed to estimate the returns on financial instruments be available. In the absence of historical data, alternative methods are used.

The calculation results obtained by applying this methodology do not make it possible to estimate the amount of loss, based on a specific event, that would be incurred by la Caisse's portfolio if this event re-occurred. For example, if future conditions and market risk factors were substantially different from past economic conditions, actual losses could differ substantially from estimated losses. Moreover, these estimates at a given date do not take into account all possible losses resulting from exceptional market events or losses that could arise over and above the 99% confidence level. Consequently, in light of these limitations, the losses for la Caisse's actual portfolio could exceed the estimates.

A history of 2,500 days of observation of risk factors is used to measure the volatility of returns and the correlation between the return of financial instruments. Moreover, due to the methodology, the effects on the portfolio of the worst events seen over a one-week horizon are repeated several times during the year.

RISK IDENTIFICATION AND MANAGEMENT (cont.)

Two risk measures are calculated and analyzed:

- The absolute risk of the actual portfolio represents the total risk associated with the categories of financial instruments that make up la Caisse's actual portfolio;
- The absolute risk of the benchmark portfolio targeted by depositors represents the total risk of the benchmark indexes associated with the categories of financial instruments that make up la Caisse's benchmark portfolio.

The absolute risks of la Caisse's actual and benchmark portfolios are measured regularly and used to calculate the absolute risk ratio, which is subject to certain limitations. The absolute risk ratio is obtained by dividing the absolute risk of the actual portfolio by the absolute risk of the benchmark portfolio.

The absolute risk of the actual portfolio and the absolute risk of the benchmark portfolio, including the risk associated with the underlying investments of unconsolidated subsidiaries whose risk is managed by la Caisse, as a percentage of net assets, according to a 99% confidence level and a history of 2,500 days, are as follows:

	December 31, 2015			December 31, 2014		
	Absolute risk of the actual portfolio %	**Absolute risk of the benchmark portfolio %**	**Absolute risk ratio**	Absolute risk of the actual portfolio %	Absolute risk of the benchmark portfolio %	Absolute risk ratio
Value at risk	**24.2**	**24.4**	**0.99**	23.9	24.0	0.99

Moreover, when managing market risk, la Caisse uses stress tests that allow it to evaluate the consequences of specific circumstances on the returns of la Caisse's actual portfolio based on historical, hypothetical or risk factor sensitivity scenarios. Using various types of scenarios, stress tests measure financial instrument impairment following a change in one or more often-related risk factors, such as share prices, interest rates, rate spreads, exchange rates, commodity prices and market volatility.

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This risk is integrated into the VaR measurement.

In connection with the management of currency risk, certain specialized portfolios are fully or partially covered against such risk. La Caisse's exposure to foreign currencies takes into account coverage of the specialized portfolios as well as the customized currency strategies of the individual funds of each depositor. Customized currency strategies of individual funds are used by depositors to achieve the desired exposure to certain foreign currencies.

La Caisse uses derivative financial instruments to manage its exposure to foreign currencies. These instruments generally have maturities of less than 12 months for currency forwards and of less than two years for currency options and currency swaps. At maturity, new derivative financial instruments are negotiated to maintain effective long-term management of currency risk. Moreover, currency risk can also be managed by way of natural hedging activities, including the financing of investments in the same currency.

The net exposure to foreign currencies takes into account the effects of currency derivatives, natural hedging and the underlying investments in currencies of unconsolidated subsidiaries whose currency risk is managed by la Caisse. La Caisse's net exposure to foreign currencies, as a percentage of net assets, is as follows:

	December 31, 2015 %	December 31, 2014 %
Canadian dollar	**69**	70
U.S. dollar	**15**	14
Yen	**2**	2
Pound sterling	**2**	3
Swiss Franc	**2**	2
Euro	**2**	2
Other	**8**	7
	100	100

RISK IDENTIFICATION AND MANAGEMENT (cont.)

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk is integrated into the VaR measurement.

PRICE RISK

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors that affect all similar financial instruments traded on the market. This risk is integrated into the VaR measurement.

CONCENTRATION RISK

La Caisse analyzes overall concentration risk for the entire group of specialized portfolios that it manages. The integrated risk management policy sets out exposure limits according to category of financial instrument and according to issuer for growth markets and for certain countries. Moreover, the investment policies of the specialized portfolios set out specific limits for each issuer, industry sector and geographic region.

The concentration limit by issuer is 3% of la Caisse's total assets, with the exception of securities issued by the governments of Canada, Québec or other Canadian provinces or territories, as well as by their ministries and agencies, which are not subject to concentration limits. Sovereign issuers rated AAA are also excluded from this concentration limit. Concentration by issuer is monitored monthly or upon initiation of a transaction requiring approval of the IRC or the Board of Directors, as appropriate.

The following table presents the principal geographic concentrations as a percentage of total net exposure, established according to the country of the issuers' principal place of business, including certain derivative financial instruments and the underlying investments in unconsolidated subsidiaries whose concentration risk is managed by la Caisse:

	December 31, 2015 **%**	December 31, 2014 %
Canada	**46**	53
United States	**27**	22
Europe	**14**	14
Growth markets	**8**	7
Other	**5**	4
	100	100

RISK IDENTIFICATION AND MANAGEMENT (cont.)

The following table presents the principal industry sector concentrations as a percentage of total net exposure, established according to the industry sector in which the issuers operate, including certain derivative financial instruments and the underlying investments in unconsolidated subsidiaries whose concentration risk is managed by la Caisse:

	December 31, 2015 **%**	December 31, 2014 %
Industry sector		
Real estate	**18**	15
Financials	**12**	13
Industrials	**8**	8
Consumer discretionary	**7**	6
Information technology	**6**	6
Energy	**5**	7
Consumer staples	**5**	5
Utilities	**5**	4
Real estate debt	**4**	4
Health care	**4**	4
Materials	**2**	2
Telecommunication services	**2**	2
Other	**4**	3
Government sector		
Government of Canada	**7**	10
Government of Québec	**7**	7
Government corporations and other public administrations in Québec	**2**	3
Other	**2**	1
	100	100

RISK IDENTIFICATION AND MANAGEMENT (cont.)

CREDIT RISK

Credit risk is the possibility of incurring a loss in value should a borrower, endorser, or guarantor experience a deterioration in financial position, fail to meet an obligation to repay a loan or fail to meet any other financial commitment.

Maximum credit risk exposure is measured based on the fair value of financial instruments without taking into account guarantees or other credit enhancements. For the "Other items," the maximum exposure to credit risk is the total amount guaranteed or committed.

The following table presents the maximum exposure to credit risk:

	December 31, 2015	December 31, 2014
Cash	**420**	211
Amounts receivable from transactions being settled	**1,288**	1,346
Advances to depositors	**776**	1,090
Investment income, accrued and receivable	**1,226**	1,149
Investments		
Cash equivalents	**2,245**	3,829
Fixed-income securities	**94,755**	103,806
Interests in unconsolidated subsidiaries in the form of debt instruments	**24,413**	20,926
Derivative financial instruments	**1,185**	1,294
	126,308	133,651
Other items		
Guarantees and loan guarantees *(Note 18)*	**154**	565
ABTN funding facility *(Note 18)*	**6,167**	6,167
	6,321	6,732
	132,629	140,383

La Caisse enters into master netting agreements *(Note 8)*, receives guarantees *(Note 15)* and may also use derivative financial instruments such as credit default swaps, to reduce its total credit risk exposure.

In addition, to manage credit risk, la Caisse closely monitors changes in the credit cycle of issuers and uses a credit VaR to calculate the potential financial loss related to possible changes in the credit quality of issuers of fixed-income securities.

RISK IDENTIFICATION AND MANAGEMENT (cont.)

CONCENTRATION OF CREDIT RISK

A credit risk concentration analysis measures the fair value of all financial instruments related to a same issuer. The investment policy of the specialized portfolios sets out concentration limits according to credit rating. The credit risk analysis considers the probability of default and the recovery rate on debt securities held by la Caisse and monitors changes in the credit quality of issuers.

The following table presents the credit risk concentration according to the credit ratings of issuers of fixed-income securities and certain derivative financial instruments used to manage credit risk, as a percentage of the total exposure to credit concentration risk:

	December 31, 2015 **%**	December 31, 2014 %
Credit rating		
AAA – AA	**38**	42
A	**44**	42
BBB	**8**	9
BB or lower	**6**	4
No credit rating	**4**	3
	100	100

The credit ratings of securities issued or guaranteed by governments are obtained from recognized credit rating agencies. For corporate sector securities, credit ratings are determined using an internal rating process that monitors changes in the credit cycle annually when the necessary information is available. Otherwise, la Caisse uses recognized credit rating agencies.

COUNTERPARTY RISK RELATED TO DERIVATIVE FINANCIAL INSTRUMENTS

Certain over-the-counter financial instruments give rise to counterparty risk because they are negotiated by contract without being traded or settled through a clearing house. Counterparty risk related to derivative financial instruments is the credit risk created by current or potential exposures arising from derivative financial instrument transactions where the counterparty becomes unable to honour the terms of the contracts.

To limit its exposure to the counterparty risk arising from transactions involving over-the-counter derivative financial instruments, la Caisse carries out transactions with financial institutions in accordance with management's criteria regarding the quality of the issuer. Moreover, la Caisse enters into legal agreements based on ISDA standards under which it benefits from the compensating effects between at-risk amounts and the collateral exchanged in order to limit its net exposure to this risk.

This risk is measured by counterparty, pursuant to the applicable legal agreement, from which it is possible to calculate the net exposure created by all of the over-the-counter derivative financial instruments and collateral exchanged. Actual exposure to counterparty risk is measured on a daily basis, whereas potential exposure to counterparty risk is measured on a monthly basis.

As at December 31, 2015, the legal agreements and the collateral received helped reduce exposure to the counterparty risk of over-the-counter derivative financial instruments. The maximum exposure to this risk is $420 million ($317 million as at December 31, 2014) related to 31 counterparties (29 as at December 31, 2014).

LIQUIDITY RISK

Liquidity risk is the possibility of la Caisse not always being able to honour its financial liability commitments without having to obtain funds at abnormally high prices or having to sell assets through forced liquidation. It is also the risk of la Caisse not being able to quickly sell investments without having a significant unfavourable effect on the price of the investment in question.

Liquidity is managed across all of la Caisse's cash activities. Compliance with the established rules is analyzed on a monthly basis, and the liquidity status is determined daily. Managers are responsible for evaluating the liquidity of the markets on which la Caisse obtains financing for its operations.

To ensure that sources of liquidity and potential liquidity requirements are properly aligned, la Caisse has a number of sources of liquidity in addition to its cash and cash equivalents, including receipt of investment income, the sale of bonds under repurchase agreements and liquid money market securities. In addition, la Caisse may issue commercial paper and term notes payable to meet its contractual commitments and financial obligations. As at December 31, 2015, la Caisse has close to $46 billion in liquidity ($52 billion as at December 31, 2014).

Furthermore, to manage liquidity risk, la Caisse conducts simulations of scenarios over different horizons and examines events that could lead to a liquidity crisis.

RISK IDENTIFICATION AND MANAGEMENT (cont.)

An analysis of undiscounted contractual cash flows of financial liabilities, presented in the table below, is a component of liquidity and financing management. However, this by-maturity allocation is not necessarily representative of the manner in which la Caisse manages its liquidity risk and financing requirements.

The following tables present the maturities of the undiscounted contractual cash flows of non-derivative financial liabilities, derivative financial instruments and other items:

					December 31, 2015
	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Amounts payable on transactions being settled	–	(1,224)	–	–	(1,224)
Other financial liabilities	–	(348)	–	–	(348)
Investment liabilities					
Securities sold under repurchase agreements	–	(18,504)	–	–	(18,504)
Securities sold short	–	(1,935)	(933)	(4,115)	(6,983)
Commercial paper payable	–	(3,778)	–	–	(3,778)
Loans payable	–	(116)	–	–	(116)
Term notes payable	–	(377)	(5,953)	(5,604)	(11,934)
Net assets attributable to depositors					
Demand and term deposits	(530)	(5)	–	–	(535)
Distributions payable to depositors	–	(2,118)	–	–	(2,118)
	(530)	(28,405)	(6,886)	(9,719)	(45,540)
Derivative financial instruments					
Derivative instruments with net settlement	–	(25)	8	103	86
Derivative instruments with gross settlement					
Contractual cash flows receivable	–	60,863	5,421	1,137	67,421
Contractual cash flows payable	–	(62,213)	(5,479)	(1,180)	(68,872)
	–	(1,375)	(50)	60	(1,365)
Other items					
Commitments *(Note 18)*	(97)	(17,622)	(1,155)	(81)	(18,955)
Guarantees and loan guarantees *(Note 18)*	–	(16)	(8)	(130)	(154)
ABTN funding facility *(Note 18)*	–	–	(6,167)	–	(6,167)
	(97)	(17,638)	(7,330)	(211)	(25,276)
	(627)	(47,418)	(14,266)	(9,870)	(72,181)

RISK IDENTIFICATION AND MANAGEMENT (cont.)

December 31, 2014

	On demand	Less than 1 year	1 year to 5 years	More than 5 years	Total
Non-derivative financial liabilities					
Amounts payable on transactions being settled	–	(1,300)	–	–	(1,300)
Other financial liabilities	–	(254)	–	–	(254)
Investment liabilities					
Securities sold under repurchase agreements	–	(16,554)	–	–	(16,554)
Securities sold short	–	(7,686)	(1,396)	(4,974)	(14,056)
Commercial paper payable	–	(3,319)	–	–	(3,319)
Loans payable	–	(363)	(652)	–	(1,015)
Term notes payable	–	(1,340)	(3,343)	(7,389)	(12,072)
Net assets attributable to depositors					
Demand and term deposits	(225)	(197)	–	–	(422)
Distributions payable to depositors	–	(1,621)	–	–	(1,621)
	(225)	(32,634)	(5,391)	(12,363)	(50,613)
Derivative financial instruments					
Derivative instruments with net settlement	–	236	31	123	390
Derivative instruments with gross settlement					
Contractual cash flows receivable	–	51,198	14,366	2,215	67,779
Contractual cash flows payable	–	(51,710)	(14,344)	(2,154)	(68,208)
	–	(276)	53	184	(39)
Other items					
Commitments *(Note 18)*	–	(10,748)	(592)	(90)	(11,430)
Guarantees and loan guarantees *(Note 18)*	–	(431)	(44)	(90)	(565)
ABTN funding facility *(Note 18)*	–	–	(6,167)	–	(6,167)
	–	(11,179)	(6,803)	(180)	(18,162)
	(225)	(44,089)	(12,141)	(12,359)	(68,814)

Moreover, concerning net assets attributable to holders of participation deposits, the Regulation sets monthly limits for cancelling participation units, i.e., a depositor is limited to a maximum reimbursement of all their participation units in all of la Caisse's specialized portfolios of $15 million plus the proceeds of $2 million multiplied by the number of months that have elapsed since receipt of the notice of withdrawal. Any cancellation of participation units that does not proceed given the maximum amount permitted is carried forward to the first day of the subsequent month and made as soon as the limit permits. The purpose of the limits is to ensure optimal management of la Caisse's overall liquidity. Moreover, substantially all depositors are required to invest with la Caisse in accordance with the Act or the respective applicable legislation.

RISK IDENTIFICATION AND MANAGEMENT (cont.)

FINANCING-LIQUIDITY RISK

The following tables present the main terms and conditions and effective interest rates of the investment liabilities related to la Caisse's financing activities:

				December 31, 2015
	Currency	**Nominal value**	**Maturity**	**Effective interest rate %**
Loans payable	**USD**	**116**	**Less than one year**	**0.37**
		116		
Commercial paper payable	**CAD**	**1,000**	**Less than one year**	**0.57**
	USD	**2,778**	**Less than one year**	**0.39**
		3,778		
Term notes payable	**USD**	**2,431**	**November 2019**	**4.40**
	EUR	**1,132**	**June 2020**	**3.50**
	CAD	**1,000**	**July 2020**	**4.60**
	USD	**2,778**	**July 2024**	**3.15**
	USD	**1,736**	**November 2039**	**5.60**
		9,077		

				December 31, 2014
	Currency	Nominal value	Maturity	Effective interest rate %
Loans payable	USD	363	Less than one year	0.12
	CAD	641	September 2016	CDOR
		1,004		
Commercial paper payable	CAD	1,000	Less than one year	1.07
	USD	2,317	Less than one year	0.16
		3,317		
Term notes payable	CAD	1,000	July 2015	CDOR + 0.45
	USD	2,027	November 2019	4.40
	EUR	1,051	June 2020	3.50
	CAD	1,000	July 2020	4.60
	USD	2,317	July 2024	3.15
	USD	1,448	November 2039	5.60
		8,843		

The loans payable are repayable at maturity, except those related to investments in ABTNs that have a prepayment clause prorated to net cash flows received on investments in ABTNs and are guaranteed by them.

Commercial paper payable is issued at a discount, at fixed rates, with maturities not exceeding 12 months. The nominal value for all outstanding commercial paper may never exceed $8 billion in accordance with the limit prescribed in the commercial paper issuance information document.

Term notes payable are issued at a discount, or at par, and are repayable at maturity and secured by la Caisse's assets. Certain interest-bearing fixed-rate term notes have an optional prepayment clause at the option of the issuer.

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CAPITAL MANAGEMENT

La Caisse defines its capital as net assets attributable to depositors. La Caisse's capital may fluctuate according to depositor demands for cancellations and issuances of participation deposit units and for deposits and withdrawals of demand and term deposits. La Caisse's capital management objective is to invest contributions and deposits in the best interests of the depositors in accordance with the Act in order to achieve an optimal return while respecting the depositor investment policies.

La Caisse is not subject to external capital requirements.

Furthermore, la Caisse's objective is to maintain its AAA credit rating to ensure access to capital markets at the best cost through its CDP Financial Inc. subsidiary. Consequently, the Board of Directors has limited the amount of notes that la Caisse may issue on capital markets to 10% of its net assets attributable to depositors, to which is added the fair value of outstanding notes (adjusted net assets).

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FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

La Caisse enters into securities lending and borrowing transactions as well as securities repurchase agreements whereby it transfers financial assets to counterparties. The transferred securities do not meet derecognition criteria since la Caisse retains most of the risks such as credit risk, interest rate risk, currency risk, and price risk, as well as most of the related rewards such as cash flows.

The following table presents the fair values of the financial assets transferred but not derecognized from the Consolidated Statement of Financial Position as well as the fair values of the associated liabilities:

	December 31, 2015	December 31, 2014
Financial assets transferred but not derecognized		
Bonds	**18,806**	18,567
Equities	**6,508**	7,881
	25,314	26,448
Associated liabilities		
Loans payable[1]	**116**	363
Securities sold under repurchase agreements	**18,496**	16,551
	18,612	16,914

[1] The amount presented corresponds to cash received as collateral on securities lending transactions.

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GUARANTEES

FINANCIAL ASSETS PLEDGED AS COLLATERAL

In the normal course of business, la Caisse pledges financial assets as collateral for transactions involving securities borrowings, securities sold under repurchase agreements and derivative financial instruments. The counterparties are authorized, by way of legal contract or market practices, to either sell or repledge these securities as collateral. On certain conditions, la Caisse may have to pledge additional collateral if the pledged securities lose value.

The following table presents the fair value of collateral pledged by la Caisse according to transaction type:

	December 31, 2015	December 31, 2014
Securities borrowing	**346**	5,230
Securities sold under repurchase agreements	**18,694**	15,914
Exchange-traded derivative financial instruments	**456**	386
Over-the-counter derivative financial instruments	**1,954**	1,004
	21,450	22,534

FINANCIAL ASSETS RECEIVED AS COLLATERAL

La Caisse receives financial assets as collateral for transactions involving securities lending, securities purchased under reverse repurchase agreements and derivative financial instruments. If the fair value of the collateral received decreases, la Caisse may, in certain cases, request additional collateral. La Caisse is authorized to sell or repledge as collateral certain securities in the absence of default by the counterparty. However, no security received as collateral was sold or repledged as collateral for the years ended December 31, 2015 and 2014.

The following table presents the fair value of collateral received by la Caisse according to transaction type:

	December 31, 2015	December 31, 2014
Securities lending	**5,883**	3,777
Securities purchased under reverse repurchase agreements	**8,838**	19,440
Over-the-counter derivative financial instruments	**5**	331
	14,726	23,548

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RELATED PARTY DISCLOSURES

RELATED PARTY TRANSACTIONS

La Caisse's primary related parties include unconsolidated subsidiaries, joint ventures, associates, and la Caisse's key management personnel.

La Caisse enters into various transactions with related parties. These transactions are concluded under the same conditions as those prevailing in the market with unrelated parties and are measured at fair value. Given the very nature of la Caisse's activities as an investment entity, it may make investments in several investment categories, including investments in unconsolidated subsidiaries, joint ventures and associates.

OTHER RELATED PARTIES

La Caisse is governed by the Act, and the Government of Québec appoints the board of director members, at least two-thirds of whom must be independent. The Government of Québec also approves the appointment of the President and Chief Executive Officer. Consequently, la Caisse has availed itself of the IAS 24 exemption regarding the disclosure of transactions with a related government and with any entities related to the related government. The transactions carried out with the Government of Québec and its related entities are investment activities involving bonds issued by or guaranteed by the government and are carried out under normal market conditions through external brokers. These bonds are included in the "Governments" and "Government corporations and other public administrations" bond categories of Note 4a. In addition, la Caisse discloses information on the Government Sector category in the "Government of Québec" and "Government corporations and other public administrations in Québec" items of Note 12.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

La Caisse's key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly. These persons are the members of the Board of Directors, the President and Chief Executive Officer, and key members of the Executive Committee.

The following table presents the compensation of la Caisse's key management personnel:

	2015	2014
Salaries and other short-term employee benefits	**8**	7
Post-employment benefits	**1**	1
Other long-term employee benefits	**6**	4
	15	12

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INTERESTS IN OTHER ENTITIES

SUBSIDIARIES

CONSOLIDATED SUBSIDIARY

CDP Financial Inc. is a wholly owned subsidiary that issues debt securities in order to finance la Caisse's investments at an optimal financing cost.

UNCONSOLIDATED SUBSIDIARIES

The subsidiaries presented in this category are entities controlled by la Caisse either directly or indirectly through subsidiaries in accordance with the criteria in IFRS 10.

INTERMEDIATE SUBSIDIARIES

As part of certain investment activities, la Caisse may use intermediate subsidiaries whose sole purpose is to hold investments for la Caisse. They are therefore not included in the information presented in the following tables, while the main underlying ownership interests in subsidiaries, joint ventures, associates and non-controlled structured entities are presented.

INTERESTS IN OTHER ENTITIES (cont.)

The following table presents the ownership interests held in the main consolidated and unconsolidated subsidiaries as at December 31, 2015 as well as the comparative ownership interests as at December 31, 2014:

		December 31, 2015	December 31, 2014
	Principal place of business	**Ownership interest %**	Ownership interest %
Consolidated subsidiary			
CDP Financial Inc	Canada	**100.0**	100.0
Unconsolidated subsidiaries			
Real estate debt			
Otéra Capital	Canada	**97.5**	97.5
Subsidiaries of Otéra Capital			
CDPQ Mortgage Investment Corporation	Canada	**100.0**	100.0
Hypothèques CDPQ Inc	Canada	**100.0**	100.0
Otéra Capital CADCAP Inc (MCAP Commercial LP)[1]	Canada	**100.0**	100.0
Hedge funds			
AlphaQuest Original Ltd	United States[7]	**100.0**	–
CDP WTN Diversified Strategy Fund Limited	United Kingdom[7]	**100.0**	100.0
Fort Global Québec LP	United States	**100.0**	100.0
Newport Mount Royal Opportunity Fund Ltd	United States[7]	**100.0**	100.0
Solaise Systematic Fund Ltd	United Kingdom[7]	**100.0**	100.0
Private investment funds			
GSO Churchill Partners LP	United States[7]	**98.0**	98.0
GSO Churchill Partners II LP	United States[7]	**98.0**	98.0
KKR-CDP Partners LP	United States[7]	**90.1**	90.1
Real estate – Ivanhoé Cambridge Group			
Careit Fonds Gov DC Inc	Canada	**100.0**	100.0
Careit Pension Inc	Canada	**100.0**	100.0
Careit PF US Inc	Canada[8]	**100.0**	100.0
IC Australia Trust	Australia	**93.1**	–
Ivanhoé Cambridge Inc[2]	Canada	**93.1**	92.8
SITQ International Inc	Canada	**93.1**	92.8
SITQ E.U., LP	Canada	**93.0**	92.7
Careit Canada GP	Canada	**84.6**	83.5
Cadim Inc[2]	Canada	**–**	92.8
Utilities			
CDP (SEW) Fund, LP[3]	United Kingdom[9]	**75.0**	75.0
Patina Rail LLP[4]	United Kingdom	**75.0**	–
Trencap LP (Gaz Métro)[5]	Canada	**59.6**	59.6
Trust No. 2431[6]	Mexico	**51.0**	–
Information technology			
Blackstone Firestone Principal Transaction Partners (Cayman) LP	United States[7]	**66.7**	66.7

1. Otéra Capital CADCAP Inc owns 77.9% of MCAP Commercial LP as at December 31, 2015 (78.1% as at December 31, 2014).
2. Ivanhoé Cambridge Inc owns 100.0% of Cadim Inc as at December 31, 2015.
3. CDP (SEW) Fund LP owns 50.0% of HDK (UK) Holdings Limited, which owns 100.0% of South East Water Ltd.
4. Patina Rail LLP owns 40.0% of Eurostar International Limited.
5. Trencap LP owns 61.1% of Noverco Inc, which owns 100.0% of Gaz Métro Inc, which owns 71.0% of Gaz Métro Limited Partnership.
6. Trust No. 2431 owns 49.0% of ICA Operadora de Vias Terrestres, S.A.P.I. de C.V.
7. Constituted in the Cayman Islands in accordance with the limited partner structure.
8. Constituted in [illegible] nited States.
9. Constituted [illegible] da.

INTERESTS IN OTHER ENTITIES (cont.)

JOINT VENTURES

The following table presents the ownership interests held in the main joint ventures as at December 31, 2015 as well as the comparative ownership interests as at December 31, 2014:

		December 31, 2015	December 31, 2014
	Principal place of business	**Ownership interest %**	Ownership interest %
Consumer discretionary			
MED ParentCo LP	United States	**47.7**	–
Energy			
Southern Star Acquisition Corporation	United States	**50.0**	–
HEF HoldCo II, Inc	United States	**33.3**	33.3

ASSOCIATES

The following table presents the ownership interests held in the main associates as at December 31, 2015 as well as the comparative ownership interests as at December 31, 2014:

		December 31, 2015	December 31, 2014
	Principal place of business	**Ownership interest %**	Ownership interest %
Consumer discretionary			
SGU Holdings LP	United States[2]	**46.7**	46.7
Quebecor Media Inc	Canada	**18.9**	24.6
Energy			
Corex Resources Ltd	Canada	**44.9**	44.9
Interconnector UK Ltd	United Kingdom	**33.5**	33.5
NSW Electricity Networks Assets Holding Trust (TransGrid)	Australia	**25.0**	–
NSW Electricity Networks Operations Holding Trust (TransGrid)	Australia	**25.0**	–
Fluxys SA	Belgium	**20.0**	20.0
Finance			
Catalina Holdings (Bermuda) Ltd	United States[3]	**29.9**	29.3
Explorer Holdings, Inc	United States	**25.5**	25.5
Industry			
CAMSO Inc (previously Camoplast Solideal Inc)	Canada	**32.5**	32.5
Groupe Keolis SAS	France	**30.0**	30.0
QPH Hold Trust, Hold Co PTY Limited (Port of Brisbane)	Australia	**26.7**	26.7
Airport Holding Kft	Hungary	**20.2**	20.2
Clayax Acquisition Luxembourg 1 s.à r.l. (SPIE SA)[1]	Luxembourg	**19.5**	17.5
Materials			
Beaudier Ciment Inc (Ciment McInnis Inc)	Canada	**44.6**	44.6
Greenpac Holding LLC	United States	**20.2**	20.2
Health care			
Image Networks Holdings Pty Ltd	Australia	**30.0**	30.0
Utilities			
London Array Ltd, London Array Unincorporated JV	United Kingdom	**25.0**	25.0
IPALCO Enterprises, Inc	United States	**24.9**	–

[1] No significant influence as at December 31, 2014.

[2] Constituted in Canada.

[3] Constituted in Bermuda in accordance with the limited partner structure.

INTERESTS IN OTHER ENTITIES (cont.)

NON-CONTROLLED STRUCTURED ENTITIES

La Caisse holds interests in non-controlled structured entities, the majority of which represent private investment funds or limited partnerships. The interests held by la Caisse do not give it power over the relevant activities of these entities, as control is established by contractual agreement in favour, generally, of a general partner or administrator. The maximum exposure to loss attributable to the various interests held in the main non-controlled structured entities is limited to the fair value of the investment held by la Caisse, i.e., $24,013 million in 267 companies as at December 31, 2015 ($23,535 million in 237 companies as at December 31, 2014).

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COMMITMENTS AND CONTINGENCIES

Given the nature of its activities, la Caisse enters into various investment purchase commitments that will be settled in the coming fiscal years in accordance with the terms and conditions in the related agreements.

For la Caisse, guarantees and loan guarantees consist in providing guarantees to financial institutions and corporations regarding future income deriving from the sale of investments and transactions on derivative financial instruments as well as repayment of borrowings by investee companies. The maturities of the commitments are presented in Note 12.

The commitments are as follows:

	December 31, 2015	December 31, 2014
Investment purchase commitments	**18,716**	11,209
Commitments under operating leases	**239**	221
Guarantees and loan guarantees	**154**	565
ABTN funding facility	**6,167**	6,167
	25,276	18,162

LITIGATION

In the normal course of business, la Caisse may be subject to legal actions. Although la Caisse cannot predict the outcomes of any ongoing legal proceedings as at December 31, 2015, it has no reason to believe that the settlement of one of these proceedings could have a material impact on its financial position.

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COMPARATIVE FIGURES

After adopting IFRS, la Caisse conducted a benchmarking study on the presentation of its consolidated financial statements, the goal being to present more relevant information to users. Consequently, certain figures from the 2014 consolidated financial statements have been reclassified to conform to the new presentation adopted by management for 2015. For the year ended December 31, 2015, la Caisse made the following reclassification concerning the fiscal 2014:

- Cash equivalents amounting to $3,829 million, which had been presented separately in the Consolidated Statement of Financial Position, have been reclassified under "Investments."

This reclassification did not have any impact on net assets attributable to depositors or on comprehensive income attributable to depositors.

SUPPLEMENTARY INFORMATION

Summary financial statements of the specialized portfolios

(in millions of Canadian dollars)

	SHORT TERM INVESTMENTS (740)		BONDS (760)		LONG TERM BONDS (764)		REAL ESTATE DEBT (750)	
Statement of financial position As at December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Assets								
Investments	**4,888**	6,830	**95,332**	91,669	**2,776**	2,511	**11,015**	10,252
Other financial assets	**–**	–	**2,408**	2,024	**437**	387	**342**	266
	4,888	6,830	**97,740**	93,693	**3,213**	2,898	**11,357**	10,518
Liabilities								
Investment liabilities	**–**	–	**28,751**	28,867	**407**	344	**–**	7
Other financial liabilities	**305**	5	**1,281**	2,115	**422**	352	**269**	184
Total liabilities excluding net assets attributable to holders of participation units	**305**	5	**30,032**	30,982	**829**	696	**269**	191
Net assets attributable to holders of participation units	**4,583**	6,825	**67,708**	62,711	**2,384**	2,202	**11,088**	10,327

Statement of comprehensive income For the years ended December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Investment income	**50**	61	**2,157**	2,268	**74**	75	**384**	320
Investment expense	**–**	(1)	**(291)**	(425)	**(1)**	(1)	**–**	–
Net investment income	**50**	60	**1,866**	1,843	**73**	74	**384**	320
Operating expenses	**(1)**	(1)	**(61)**	(54)	**(1)**	(1)	**(2)**	(4)
Net income	**49**	59	**1,805**	1,789	**72**	73	**382**	316
Net realized gains (losses)	**–**	–	**594**	640	**32**	51	**(13)**	373
Net unrealized gains (losses)	**–**	–	**(8)**	2,197	**2**	218	**167**	379
Net gains (losses) on financial instruments at fair value	**–**	–	**586**	2,837	**34**	269	**154**	752
Net investment result before distributions to holders of participation units	**49**	59	**2,391**	4,626	**106**	342	**536**	1,068
(Distributions) recoveries	**(49)**	(59)	**(1,805)**	(1,789)	**(72)**	(73)	**(382)**	(316)
Comprehensive income attributable to holders of participation units	**–**	–	**586**	2,837	**34**	269	**154**	752

Statement of changes in net assets attributable to holders of participation units For the years ended December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Balance as at December 31	**6,825**	3,509	**62,711**	54,851	**2,202**	1,889	**10,327**	8,792
Participation units								
Units issued	**5,948**	7,224	**8,640**	6,856	**311**	178	**1,162**	1,127
Units cancelled	**(8,190)**	(3,908)	**(4,229)**	(1,833)	**(163)**	(134)	**(555)**	(344)
Net change in participation units for the year	**(2,242)**	3,316	**4,411**	5,023	**148**	44	**607**	783
Comprehensive income attributable to holders of participation units	**–**	–	**586**	2,837	**34**	269	**154**	752
Balance as at December 31	**4,583**	6,825	**67,708**	62,711	**2,384**	2,202	**11,088**	10,327

SUPPLEMENTARY INFORMATION

Summary financial statements of the specialized portfolios (cont.)

(in millions of Canadian dollars)

	REAL RETURN BONDS (762)		INFRASTRUCTURE (782)		REAL ESTATE (710)		CANADIAN EQUITY (720)	
Statement of financial position								
As at December 31	2015	2014	2015	2014	2015	2014	2015	2014
Assets								
Investments	1,095	1,003	15,514	11,181	26,998	22,857	21,864	29,954
Other financial assets	150	207	430	174	7	21	526	86
	1,245	1,210	15,944	11,355	27,005	22,878	22,390	30,040
Liabilities								
Investment liabilities	149	105	2,981	1,218	49	–	–	5,181
Other financial liabilities	7	125	415	384	2	20	73	358
Total liabilities excluding net assets attributable to holders of participation units	156	230	3,396	1,602	51	20	73	5,539
Net assets attributable to holders of participation units	1,089	980	12,548	9,753	26,954	22,858	22,317	24,501

Statement of comprehensive income

For the years ended December 31	2015	2014	2015	2014	2015	2014	2015	2014
Investment income	17	25	860	783	86	121	544	434
Investment expense	–	–	(13)	(8)	–	–	(9)	(17)
Net investment income	17	25	847	775	86	121	535	417
Operating expenses	(1)	(1)	(54)	(31)	(11)	(8)	(36)	(30)
Net income	16	24	793	744	75	113	499	387
Net realized gains (losses)	7	17	(979)	(427)	(140)	(188)	(974)	1,156
Net unrealized gains (losses)	6	84	891	832	3,117	2,189	(450)	1,302
Net gains (losses) on financial instruments at fair value	13	101	(88)	405	2,977	2,001	(1,424)	2,458
Net investment result before distributions to holders of participation units	29	125	705	1,149	3,052	2,114	(925)	2,845
(Distributions) recoveries	(16)	(24)	(793)	(744)	(75)	(113)	(499)	(387)
Comprehensive income attributable to holders of participation units	13	101	(88)	405	2,977	2,001	(1,424)	2,458

Statement of changes in net assets attributable to holders of participation units

For the years ended December 31	2015	2014	2015	2014	2015	2014	2015	2014
Balance as at December 31	980	1,189	9,753	7,996	22,858	22,535	24,501	22,999
Participation units								
Units issued	181	88	3,796	1,886	1,241	601	1,672	1,681
Units cancelled	(85)	(398)	(913)	(534)	(122)	(2,279)	(2,432)	(2,637)
Net change in participation units for the year	96	(310)	2,883	1,352	1,119	(1,678)	(760)	(956)
Comprehensive income attributable to holders of participation units	13	101	(88)	405	2,977	2,001	(1,424)	2,458
Balance as at December 31	1,089	980	12,548	9,753	26,954	22,858	22,317	24,501

SUPPLEMENTARY INFORMATION

Summary financial statements of the specialized portfolios (cont.)

(in millions of Canadian dollars)

	U.S. EQUITY (731)		EAFE EQUITY (730)		EMERGING MARKETS EQUITY (732)		GLOBAL QUALITY EQUITY (736)	
Statement of financial position As at December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Assets								
Investments	**10,642**	10,278	**10,875**	9,516	**13,443**	11,709	**32,076**	26,825
Other financial assets	**16**	14	**58**	42	**405**	277	**1,891**	1,555
	10,658	10,292	**10,933**	9,558	**13,848**	11,986	**33,967**	28,380
Liabilities								
Investment liabilities	**22**	20	**9**	4	**30**	18	**44**	12
Other financial liabilities	**76**	26	**71**	50	**143**	191	**62**	62
Total liabilities excluding net assets attributable to holders of participation units	**98**	46	**80**	54	**173**	209	**106**	74
Net assets attributable to holders of participation units	**10,560**	10,246	**10,853**	9,504	**13,675**	11,777	**33,861**	28,306

Statement of comprehensive income For the years ended December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Investment income	**224**	223	**281**	281	**284**	277	**781**	626
Investment expense	**-**	-	**-**	-	**(14)**	(8)	**(8)**	(6)
Net investment income	**224**	223	**281**	281	**270**	269	**773**	620
Operating expenses	**(7)**	(5)	**(9)**	(8)	**(25)**	(22)	**(37)**	(32)
Net income	**217**	218	**272**	273	**245**	247	**736**	588
Net realized gains (losses)	**1,572**	1,325	**344**	686	**963**	345	**2,395**	781
Net unrealized gains (losses)	**328**	690	**1,236**	(580)	**(458)**	357	**2,833**	2,560
Net gains (losses) on financial instruments at fair value	**1,900**	2,015	**1,580**	106	**505**	702	**5,228**	3,341
Net investment result before distributions to holders of participation units	**2,117**	2,233	**1,852**	379	**750**	949	**5,964**	3,929
(Distributions) recoveries	**(217)**	(218)	**(272)**	(273)	**(245)**	(247)	**(736)**	(588)
Comprehensive income attributable to holders of participation units	**1,900**	2,015	**1,580**	106	**505**	702	**5,228**	3,341

Statement of changes in net assets attributable to holders of participation units For the years ended December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Balance as at December 31	**10,246**	9,714	**9,504**	9,824	**11,777**	10,249	**28,306**	17,197
Participation units								
Units issued	**1,438**	1,259	**1,589**	1,342	**3,421**	1,708	**2,721**	9,282
Units cancelled	**(3,024)**	(2,742)	**(1,820)**	(1,768)	**(2,028)**	(882)	**(2,394)**	(1,514)
Net change in participation units for the year	**(1,586)**	(1,483)	**(231)**	(426)	**1,393**	826	**327**	7,768
Comprehensive income attributable to holders of participation units	**1,900**	2,015	**1,580**	106	**505**	702	**5,228**	3,341
Balance as at December 31	**10,560**	10,246	**10,853**	9,504	**13,675**	11,777	**33,861**	28,306

SUPPLEMENTARY INFORMATION

Summary financial statements of the specialized portfolios (cont.)

(in millions of Canadian dollars)

	PRIVATE EQUITY (780)		ASSET ALLOCATION (771)		ABTN (772)		ACTIVE OVERLAY STRATEGIES (773) (Created January 1, 2014)	
Statement of financial position As at December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Assets								
Investments	**26,972**	22,469	**2,049**	2,623	**4,612**	9,236	**9,097**	7,534
Other financial assets	**52**	359	**707**	220	**11**	28	**215**	468
	27,024	22,828	**2,756**	2,843	**4,623**	9,264	**9,312**	8,002
Liabilities								
Investment liabilities	**919**	432	**453**	1,239	**4,490**	9,182	**8,795**	7,435
Other financial liabilities	**527**	152	**504**	11	**33**	55	**53**	26
Total liabilities excluding net assets attributable to holders of participation units	**1,446**	584	**957**	1,250	**4,523**	9,237	**8,848**	7,461
Net assets attributable to holders of participation units	**25,578**	22,244	**1,799**	1,593	**100**	27	**464**	541

Statement of comprehensive income For the years ended December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Investment income	**2,071**	1,632	**41**	67	**103**	152	**43**	36
Investment expense	**(62)**	(62)	**(7)**	(21)	**(69)**	(120)	**(76)**	(66)
Net investment income	**2,009**	1,570	**34**	46	**34**	32	**(33)**	(30)
Operating expenses	**(82)**	(52)	**(8)**	(8)	**(1)**	(3)	**(59)**	(51)
Net income	**1,927**	1,518	**26**	38	**33**	29	**(92)**	(81)
Net realized gains (losses)	**(2,325)**	(1,212)	**434**	354	**(1,144)**	(25)	**(1,003)**	293
Net unrealized gains (losses)	**2,226**	2,079	**(120)**	(70)	**1,183**	133	**1,137**	19
Net gains (losses) on financial instruments at fair value	**(99)**	867	**314**	284	**39**	108	**134**	312
Net investment result before distributions to holders of participation units	**1,828**	2,385	**340**	322	**72**	137	**42**	231
(Distributions) recoveries	**(1,927)**	(1,518)	**(26)**	(38)	**(33)**	(29)	**92**	81
Comprehensive income attributable to holders of participation units	**(99)**	867	**314**	284	**39**	108	**134**	312

Statement of changes in net assets attributable to holders of participation units For the years ended December 31	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Balance as at December 31	**22,244**	20,089	**1,593**	1,147	**27**	(107)	**541**	–
Participation units								
Units issued	**4,609**	3,366	**988**	863	**34**	26	**225**	584
Units cancelled	**(1,176)**	(2,078)	**(1,096)**	(701)	**–**	–	**(436)**	(355)
Net change in participation units for the year	**3,433**	1,288	**(108)**	162	**34**	26	**(211)**	229
Comprehensive income attributable to holders of participation units	**(99)**	867	**314**	284	**39**	108	**134**	312
Balance as at December 31	**25,578**	22,244	**1,799**	1,593	**100**	27	**464**	541

FINANCIAL CERTIFICATE OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

I, Michael Sabia, President and Chief Executive Officer of la Caisse de dépôt et placement du Québec, certify that:

1. **Review:** I have reviewed the consolidated financial statements, the tables of returns, the press release announcing the annual results and the Annual Report (hereafter referred to as the "Annual Filings") of la Caisse de dépôt et placement du Québec ("la Caisse") for the year ended December 31, 2015.
2. **No false or misleading information:** To the best of my knowledge, having exercised reasonable diligence, the Annual Filings do not contain any untrue statement of a material fact or omit to state any material fact that is required to be stated or necessary to make a statement that is not misleading in light of the circumstances in which it was made, with respect to the period covered by the Annual Filings.
3. **Fair presentation:** To the best of my knowledge, having exercised reasonable diligence, the consolidated financial statements and the other financial information included in the Annual Filings present fairly, in all material respects, the financial position of la Caisse as at the closing dates of the periods presented in the Annual Filings, as well as its comprehensive income, changes in net assets attributable to depositors, and cash flows for those years.
4. **Responsibility:** I am responsible for the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) for la Caisse.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, at fiscal year-end, I have:
   a) Designed, or caused to be designed under my supervision, DC&P to provide reasonable assurance that:
      i) Material information relating to la Caisse is made known to me by others, particularly during the period in which the Annual Filings are prepared.
      ii) Information required to be disclosed by la Caisse in its Annual Filings filed or submitted by it under the legislation is recorded, processed, summarized and reported within the time periods prescribed by the legislation.

   b) Designed, or caused to be designed under my supervision, ICFR to provide reasonable assurance that financial information is reliable and that the consolidated financial statements have been prepared, with a view to publication of financial information, in accordance with International Financial Reporting Standards (IFRS).

5.1. **Control framework:** The control framework that I have used to design the ICFR is that proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).

5.2. **ICFR material weakness relating to design:** Not applicable.

5.3. **Limitation of scope and design:** Not applicable.

6. **Evaluation:** I have:
   a) Evaluated or caused to be evaluated under my supervision, the effectiveness of the DC&P of la Caisse at fiscal year-end and la Caisse disclosed in its Annual Report my conclusions based on this evaluation.
   b) Evaluated or caused to be evaluated under my supervision, the effectiveness of the ICFR of la Caisse at fiscal year-end and la Caisse disclosed in its Annual Report the following information:
      i) My conclusions about the effectiveness of the ICFR at fiscal year-end based on that evaluation.
      ii) Descriotion of any material weaknesses relating to current operation at fiscal year-end: Not applicable.
7. **Reporting changes to the ICFR:** La Caisse disclosed in its Annual Report any change made to the ICFR that occurred during the accounting period beginning on January 1, 2015 and ending on December 31, 2015 that has had, or is likely to have, a material impact on the ICFR.
8. **Reporting to co-auditors and the Board of Directors or Audit Committee of la Caisse:** I have disclosed, based on our most recent valuation of the ICFR, to the co-auditors and the Board of Directors of la Caisse or its Audit Committee, any fraud that involves management or other employees who have a significant role in the ICFR.

MICHAEL SABIA
President and Chief Executive Officer

April 1, 2016

FINANCIAL CERTIFICATE OF THE EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER

I, Maarika Paul, Executive Vice-President and Chief Financial Officer of la Caisse de dépôt et placement du Québec, certify that:

1. **Review:** I have reviewed the consolidated financial statements, the tables of returns, the press release announcing the annual results and the Annual Report (hereafter referred to as the "Annual Filings") of la Caisse de dépôt et placement du Québec ("la Caisse") for the year ended December 31, 2015.
2. **No false or misleading information:** To the best of my knowledge, having exercised reasonable diligence, the Annual Filings do not contain any untrue statement of a material fact or omit to state any material fact that is required to be stated or necessary to make a statement that is not misleading in light of the circumstances in which it was made, with respect to the period covered by the Annual Filings.
3. **Fair presentation:** To the best of my knowledge, having exercised reasonable diligence, the consolidated financial statements and the other financial information included in the Annual Filings present fairly, in all material respects, the financial position of la Caisse as at the closing dates of the periods presented in the Annual Filings, as well as its comprehensive income, changes in net assets attributable to depositors, and cash flows for those years.
4. **Responsibility:** I am responsible for the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR) for la Caisse.
5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, at fiscal year-end, I have:
    a) Designed, or caused to be designed under my supervision, DC&P to provide reasonable assurance that:
        i) Material information relating to la Caisse is made known to me by others, particularly during the period in which the Annual Filings are prepared.
        ii) Information required to be disclosed by la Caisse in its Annual Filings filed or submitted by it under the legislation is recorded, processed, summarized and reported within the time periods prescribed by the legislation.
    b) Designed, or caused to be designed under my supervision, ICFR to provide reasonable assurance that financial information is reliable and that the consolidated financial statements have been prepared, with a view to publication of financial information, in accordance with International Financial Reporting Standards (IFRS).

5.1. **Control framework:** The control framework that I have used to design the ICFR is that proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).

5.2. **ICFR material weakness relating to design:** Not applicable.

5.3. **Limitation of scope and design:** Not applicable.

6. **Evaluation:** I have:
    a) Evaluated or caused to be evaluated under my supervision, the effectiveness of the DC&P of la Caisse at fiscal year-end and la Caisse disclosed in its Annual Report my conclusions based on this evaluation.
    b) Evaluated or caused to be evaluated under my supervision, the effectiveness of the ICFR of la Caisse at fiscal year-end and la Caisse disclosed in its Annual Report the following information:
        i) My conclusions about the effectiveness of the ICFR at fiscal year-end based on that evaluation.
        ii) Description of any material weaknesses relating to current operation at fiscal year-end: Not applicable.
7. **Reporting changes to the ICFR:** La Caisse disclosed in its Annual Report any change made to the ICFR that occurred during the accounting period beginning on January 1, 2015 and ending on December 31, 2015 that has had, or is likely to have, a material impact on the ICFR.
8. **Reporting to co-auditors and the Board of Directors or Audit Committee of la Caisse:** I have disclosed, based on our most recent valuation of the ICFR, to the co-auditors and the Board of Directors of la Caisse or its Audit Committee, any fraud that involves management or other employees who have a significant role in the ICFR.

Maarika Paul

MAARIKA PAUL
Executive Vice-President and Chief Financial Officer

April 1, 2016

CONCLUSIONS ABOUT THE DESIGN AND EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

In 2015, the Chief Financial Officer oversaw work to update existing documentation and to evaluate the design and effectiveness of internal control over financial reporting, and the Executive Committee approved the methodology for evaluating key controls. The purpose of this evaluation of internal control over the main financial processes was to ensure that la Caisse could meet its quality objectives related to financial reporting, in all material respects.

The evaluation of the design and effectiveness of internal control over financial reporting was carried out with the framework usually adopted by North American companies, namely that of the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013). This work enabled the Executive Committee to conclude that the design of control over financial reporting is adequate and effective, and that it provides reasonable assurance that the financial information presented in the Annual Filings, as defined by la Caisse's Financial Certification Policy, is reliable, and that la Caisse's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

CONCLUSIONS ABOUT THE DESIGN AND EFFECTIVENESS OF FINANCIAL REPORTING CONTROLS AND PROCEDURES

Under la Caisse's Financial Certification Policy, the design and effectiveness of disclosure controls and procedures pertaining to the Annual Filings, namely the consolidated financial statements, the tables of returns, the press release announcing the annual results and the Annual Report, must be evaluated.

As with the evaluation of internal control over financial reporting, the Chief Financial Officer also oversaw efforts to update existing documentation and to evaluate the design and effectiveness of disclosure controls and procedures, and the Executive Committee also approved the methodology for evaluating key controls.

As at December 31, 2015, the evaluation confirmed that the disclosure controls and procedures are adequate and effective, and provide reasonable assurance that all relevant information is gathered and submitted in a timely fashion to senior management, in particular to the President and Chief Executive Officer and to the Chief Financial Officer, so as to ensure that appropriate decisions concerning disclosure can be made.

The Board of Directors also approved the 2015 Annual Filings before their public disclosure.

General Notes

1. La Caisse's operations comply with the requirements of the Act respecting the Caisse de dépôt et placement du Québec[1] and investment industry practices. Its financial statements are prepared in accordance with International Financial Reporting Standards. Each year, la Caisse's co-auditors, the Auditor General of Québec and Ernst & Young LLP, audit the financial statements, the compliance of operations with laws, regulations, policies and guidelines, to the extent they deem appropriate.

2. The 2015 Annual Report Additional Information is an integral part of the 2015 Annual Report and presents, in the first section, the Tables of Returns as at December 31, 2015, for composites of la Caisse's depositors' accounts. These tables and calculations have been audited as at December 31, 2015 by Deloitte LLP for compliance with the Global Investment Performance Standards (GIPS®).

3. In this Annual Report, depositors' net assets and net investment results are defined as being in the consolidated financial statements net assets attributable to depositors and net investment results before distributions to depositors.

4. The returns of the specialized portfolios are calculated using the time-weighted rate of return formula.

5. The benchmark indexes for the asset classes and overall portfolio are based on the weighted average of the benchmark indexes for the specialized portfolios that comprise them.

6. Unless otherwise stated, returns, which are expressed as a percentage, are presented net of transaction fees, external management fees of investment funds and expenses of nonconsolidated real estate subsidiaries, but before operating expenses, distributions to depositors and other fees. They are annualized for periods of more than one year. They include the return on cash and cash equivalents and they take into account any foreign exchange hedging. The ratio of operating expenses to the average net assets of each specialized portfolio is presented in the notes in the 2015 Annual Report Additional Information.

7. Unless otherwise stated, net investment results before distributions to depositors and net assets attributable to depositors are presented net of operating expenses and other fees.

8. Some returns are expressed in basis points (b.p.). One hundred basis points equal 1.00% and one basis point equals 0.01%.

9. Unless otherwise stated, all figures are in Canadian dollars. The letters M and B used with dollar amounts designate millions and billions, respectively.

10. Totals (figures or percentages) may vary because of rounding of figures.

11. Unless otherwise stated, all data in the tables and figures are from studies carried out by la Caisse.

12. The tables listing the top 10 investments present, in alphabetical order, the main cash positions based on information shown in Tables 8, 9, 10 and 11 of the 2015 Annual Report Additional Information.

13. To determine whether an asset is classified as a Québec investment, la Caisse uses the location of the head office of the company or of the issuer or, in the case of real estate, the location of the property.

    This classification system is widely used in the fund management industry but involves biases. Some companies are included even though their core operations are outside Québec. Similarly, companies with extensive operations in Québec are excluded if their head office is outside the province.

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[1] The Act respecting the Caisse de dépôt et placement du Québec is available on the Caisse website at www.cdpq.com.

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CDPQ INDIA

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- The 2015 Annual Report and the 2015 Annual Report Additional Information are available on our website at www.cdpq.com.
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- *Le Rapport annuel 2015 et le document Renseignements additionnels au rapport annuel 2015 sont aussi accessibles en français sur notre site Web: www.cdpq.com.*
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